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HARVARD BUSINESS REPORTS

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COMMENTARIES IN THIS VOLUME

BY

JOHN W. RIEGEL

AND OTHERS

95578

COMMENTATOR'S FOREWORD

IN the selection for this volume of cases dealing with administrative aspects of the labor relationship, chief attention was paid to significance of issues and fullness of background information. It also was thought desirable to introduce a variety of industries, of types of labor, and of managerial policies regarding personnel.

These cases will fall short of their potential usefulness if they are consulted merely as precedents; if they are read only to yield solutions. The issues of each case will be duplicated many times, but the specific facts seldom, if ever. The solutions, therefore, are not of great practical consequence. The cases will be of far greater value to the reader who examines critically the points of view, the bases of judgment, and the lines of reasoning which they present. One who turns to this volume as a reference work necessarily must test, reappraise, and supplement this material in the light of the circumstances in which he approaches somewhat similar problems.

Inasmuch as the cases in this volume relate to one general field of business administration, the book may find use as a case book for study and discussion. In that event, the sequence of the cases has some interest. That sequence has been based upon three general types of issues: first, current operating issues; second, questions regarding the channels through which such issues are negotiated, and the status collectively of employers and of employees; and, third, problems arising from those relations between employer and employee which are superimposed upon the labor relationship. In the first group are cases which refer to: manning the enterprise, development of abilities, problems of leadership and supervision, provision of incentives. The second group contains cases which, apart from their immediate focus, deal with employee representation or agreements with labor unions. In the third group are cases concerning such topics as employee medical service, housing, and pensions.

The preparation of this volume could not have been undertaken without the interest and aid of the numerous business executives

who furnished the facts of the cases, and in many instances discussed with me the issues raised therein.

On a few cases dealing with special topics, commentaries have been prepared by the following:¹ Professor William James Cunningham; Professor Elton Mayo; Mr. F. A. Silcox; Mr. Glenn A. Bowers; and Mr. Gorton James.

For the remaining cases I have stated my views regarding what seemed the significant issues. All the cases were prepared and my commentaries were written during my appointment as Instructor in Labor Relations at the Graduate School of Business Administration, George F. Baker Foundation, Harvard University.

June, 1927

JOHN W. RIEGEL

¹ A list of the authors, showing the page numbers of their commentaries, is at page xv.

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INITIALS	NAME AND TITLE ¹	PAGE NUMBERS OF COMMENTARIES
E. M.	ELTON MAYO <i>Associate Professor of Industrial Research</i>	106
F. A. S.	F. A. SILCOX <i>Secretary, Printers' League Section, New York Employing Printers' Association, Inc.</i>	475
G. A. B.	GLENN A. BOWERS <i>Industrial Relations Counselors, Inc., New York City</i>	169
G. J.	GORTON JAMES <i>Instructor in Industrial Management</i>	516
W. J. C.	WILLIAM JAMES CUNNINGHAM <i>James J. Hill Professor of Transportation</i>	288
J. W. R.	JOHN W. RIEGEL <i>Instructor in Labor Relations²</i>	Commentaries other than those above.

¹ Unless otherwise stated, titles are those in the Graduate School of Business Administration, George F. Baker Foundation, Harvard University, at the date of the commentary.

² Now Educational Advisor, Dennison Manufacturing Company.

HARVARD BUSINESS REPORTS

VOLUME 4

HARVARD BUSINESS REPORTS

COLLINGTON COMPANY¹

MANUFACTURER—RUBBER TIRES

HIRING—*Job Analyses as Aids in.* A rubber company, which employed people on approximately 500 tasks, did not deem job analysis for hiring purposes necessary, since the employment office clerks who interviewed prospective employees were allowed to visit the factory to become acquainted with the operations performed there, and since foremen finally passed on applicants for work in their departments.

(1924)

In September, 1924, the Collington Company, a manufacturer of automobile and bicycle tires and tubes, contemplated making job analyses primarily to obtain data to aid in hiring employees. At that time the company employed about 3,500 men and women in 40 departments divided as shown in Exhibit 1. The company was located in a district of diversified industry having a population of approximately 200,000 persons.

The Collington Company never had made systematic analyses to determine the physical and mental characteristics and the degree of skill that a worker needed in order to be able to perform a particular task efficiently.

Following such studies by other companies, certain of the data obtained usually were recorded on standard forms. These filled-in forms were known as job specifications and were used by the employment department of the company making the study in hiring people needed in the factory departments.

In the Collington Company the function of hiring was performed jointly by an employment department and the foremen. Applicants first were interviewed by a member of the employment department. Later, if it appeared worth while, they were interviewed by the foremen of the departments in which they desired to work. The personnel of the employment department included the manager; the manager's assistant, who held the interviews; a record clerk, who made out the time cards, the engagement slip,

¹ Fictitious name.

EXHIBIT I

NUMBER OF EMPLOYEES OF COLLINGTON COMPANY, BY
DEPARTMENTS, SEPTEMBER, 1924

Departments	Number of Employees	Departments	Number of Employees
Inspection.....	352	Stores.....	14
Tube.....	418	Garage.....	21
Cutting.....	179	Accounting.....	34
Crude Rubber.....	97	Equipment Storage.....	1
Mill.....	119	Experimental.....	10
Cement.....	7	Mold Storage.....	17
Electrical.....	21	Yard.....	21
Power.....	17	Box.....	7
Heater.....	311	Cord Tire Air Bag.....	13
Sundry.....	5	Internal Transportation.....	49
Bead.....	144	Elevators.....	27
Bicycle Tire.....	49	Road Transportation.....	15
Press.....	48	Solid Tire.....	34
Pipe.....	26	Construction.....	5
Machine.....	116	Cord Tire.....	705
Mold Equipment.....	42	Cord Tire Pocket.....	220
Shipping.....	80	Sanitary.....	45
Repairs.....	7	Receiving.....	21
Carpenter.....	26	Calender.....	207
By-products.....	7		
Cleaning.....	20	Total.....	3,557

and the physical record card for each employee who was hired; a secretary to the employment manager; and two typists. The clerk in charge of the records, who was 30 years of age, had had a high-school education. He was allowed to visit the departments in the factory in order to secure a knowledge of all tasks performed, and he was fitted to assume the position of assistant to the employment manager. In making out the records, he had an opportunity to become acquainted with the new workers and to gain information as to the types of men placed on the different tasks.

The number of additional men to be employed was determined by the foremen from their knowledge of the production program and the existing capacity of their departments. The foremen sent requisitions to the employment department stating the number of men desired and indicating the tasks the newcomers were to perform.

In filling these requisitions, the employment manager's assistant looked over the applications of men who previously had been interviewed and the file of workers who were laid off. If no

suitable candidates were obtainable from those sources and if the employment manager did not wish to make any transfers, the assistant turned to the people applying in person at the employment office. During periods when production was increasing and additions to the labor force were necessary, the company hired from 80 men to 150 men a day. Even at this rate, workers were available in the district in which the plant was located.

If an interview proved satisfactory to the company and to the applicant, the applicant was given a strict physical examination and, if he passed that, was told to report at the factory the next day or, possibly, if he were hired in the morning, to report directly after the lunch hour. Before going to work, he reported at the employment office and received his first time card. Usually the record clerk accompanied him to the department and introduced him to the foreman. The company had worked out no training program for any of the operations performed at the plant.

Sometimes the employment manager transferred workers from one department in the plant to another. He interviewed workmen who were leaving, in order to learn their reasons for doing so. If they stated that working conditions were unsatisfactory, he took steps toward improving the conditions.

Foremen had complete authority over the men in their own departments. They instructed inexperienced workmen and transferred workers from machine to machine as production orders dictated. A foremen's club at the local Y.M.C.A. met once a month from October to May. At the meetings, outside speakers presented problems which were intended to give the members an understanding of what was occurring in industry outside their own departments and companies. The Collington Company urged its foremen to attend these meetings. It had found that the foremen were much more willing to go if they were allowed to pay for the course than they otherwise were.

The company operated its plant on two shifts, each totaling 50 hours a week when the full-time schedule was in effect. For five days of the week the workers on the day shift went to work at 7:00 a.m. and stopped at 5:10 p.m., with an hour off at noon. On Saturday they began at 7:00 a.m. and stopped at 11:10 a.m. The men on the night shift worked five nights a week from 7:00 p.m. to 6:00 a.m., with an hour off at midnight. In order

to keep a nucleus of workers for both shifts, the company, rather than operate a day shift only, resorted to part-time weeks and decreases in the working force in times of slow production. There was no rotation of workers between the two shifts.

The Collington Company's products were manufactured on a large scale, entirely for stock. As a result, operations and equipment were standardized throughout the plant to a marked degree; equipment varied only as the size of the tires or the tubes varied. The raw rubber direct from the plantation was calendered and rolled to prepare it for rubberizing the fabric, which was purchased from textile mills. The manufacture of the fabric plies was a machine operation in which the duties of the operator consisted of starting and stopping the machine, feeding the rubber and fabric to it, and watching to see that the materials were processed correctly. The rubberized fabric, cut into widths suitable for the various sizes of tires, was rolled up ready for the workers who assembled the "pockets," "beads," and "cushions, breakers, and treads" for the tire builders. Pure rubber for tires and tubes was calendered, cut to size, and rolled up also.

Subassembled materials from which a cord tire was built included the "pocket," the "bead," and the "cushion, breaker, and tread." The pocket was made up of one or two plies of the rubberized fabric. A one-ply pocket was received by the tire builder in flat strip form. A two-ply pocket, when ready for the builder, resembled a large elastic band. To prepare a two-ply pocket, the ends of one strip of fabric were folded over and cemented together; the middle point of the second strip was laid over the junction of the ends of the first strip; the two strips then were turned over on the table, and the ends of the second strip were folded over and cemented together.

The bead was the small strip of rubber by which the finished tire was held in the rim. The manufacture of the bead was a machine operation.

The cushion, breaker, and tread were three strips of rubber. The cushion and the breaker were narrow strips which covered the top of the tire only and were designed to absorb some of the shocks. The tread was similar in width to the pocket and constituted the layer which was later molded into the tread design. Those strips were assembled into a single unit ready for the builder.

Subassembly benches and the tire-building equipment were laid around a continuous conveyor that ran from one end of the room to the other. Subassembled material, "air bags," and finished tires were all hung on hooks on the conveyor and removed by those who were to work on them next. One man kept the conveyor supplied with air bags and another removed the tires as they came around and put them on a conveyor which carried them to the heating room.

Each tire was built by one man. The operative obtained an air bag inflated to the size called for by the order on which he was to work and fitted the air bag to a disk which was revolved by an electric motor. He took the pockets, stretched each one on a stretching machine, and placed them, one at a time, over the inflated air bag. The number of pockets used varied with the size of the tire. Each pocket was brushed with a coating of cement. After each pocket was in place, the disk was revolved and the strips were rolled down the side of the air bag by a small roller held by the operator. The bead was placed between the first and second pockets. The cushion, breaker, and tread strip was cemented over the top pocket and rolled down in a manner similar to that employed in rolling down the pockets. The tire was then removed from the disk and hung on the conveyor ready to be delivered to the heating room.

As the tires were received in the heating room, a corps of men encased them in iron molds, which then were conveyed to drums in which they were sealed and subjected to heat for a specified length of time. The molds then were removed automatically from the drums and another group of men took the tires out and extracted the air bags. The tires were then ready for inspection, wrapping, and shipping. All movement of tires and molds in the heating room was effected by continuous conveyors so that little lifting was necessary.

The company expected that if job analyses were made, investigators would observe operations and question foremen and perhaps workers. No questionnaires were to be sent to foremen. The company thought that foremen, since most of them had had no more than a grammar-school education, might have difficulty in answering questionnaires. The employment manager estimated that approximately 500 distinct tasks were performed in the plant. Changes in the technique of manufacture would necessitate

revision of the job analysis data from time to time. For example, the conveyor system that had been installed recently in the tire-manufacturing department had created new tasks and had changed old tasks.

The Collington Company decided that, because assistants in the employment office were allowed time to visit the production departments and familiarize themselves with the work done by the classes of employees called for on requisitions, it did not need job analyses for hiring purposes.

COMMENTARY: Occasional observation does not yield those clear ideas of qualities and degrees of qualities required by employees on various tasks, which can be derived from the systematic investigations and contrasts made in the course of job analysis.

It is improper to consider job analysis for hiring purposes apart from its beneficial effects upon those who cooperate in making the studies. The employment manager, plant physician, time-study man, and foreman severally should receive new and broader viewpoints. These studies focus the attention of supervisors upon the aptitudes and abilities that should be possessed by their subordinates. The process gives the foreman a new view of his task, particularly as regards his training function and the assignment of available personnel to the work in hand.

By fixing attention upon purpose rather than mechanism, one can decide more readily the thoroughness with which a program of job analysis should be carried out. Job analysis can, but need not, be done in elaborate fashion. If the results of the studies are to be used chiefly in hiring people, only those tasks for which many people are likely to be employed need be studied. It would be regrettable, however, if a careful job analysis should have this limited application. These standards often are valuable aids in improving production methods, in revising training procedures, in directing medical supervision, in judging the correctness of basic wage rates, and in setting production and cost standards.

In this case, the company, of course, should have taken into account the expenses involved in making studies of tasks. Since the proposed analyses were to be used only in connection with hiring, however, the expenses would have been much less than if the results had been intended for task standardization or wage setting. For either of the latter purposes, at least some of the data must be corrected after every change in factory method. But frequently such changes do not alter the qualifications desirable in the operative. Once recorded, therefore,

job analysis data for hiring purposes need not be constantly revised.

As a measure of economy, one company required employment interviewers to analyze jobs in the late afternoon when their employment work ordinarily was completed. Although superficially economical, the merit of this plan depends upon the analytical ability and the knowledge of human capacities possessed by the interviewer. In case a specially trained man is called in to make job analyses, the employment interviewer, for his personal improvement, should cooperate with the expert.

Job analysis does not lessen the qualifications desirable in those who employ and supervise; it should increase their effectiveness. Its chief result is not a file of hiring specifications, but a more capable organization. No method exists of determining beforehand, or even afterwards, whether the cost of job analysis will be repaid, or repaid many fold, by its educative effect upon those who hire and supervise. The step must rest largely on faith.

October, 1926

J. W. R.

HURLOCK COMPANY¹

MANUFACTURER—AUTOMOBILES

HIRING—*Methods of Selection—Probationary Employment.* A European company manufacturing high-grade automobiles by distinctive methods established a branch plant in the United States. Three chief types of labor were needed—high-grade machinists, machine operators, and assemblers. The company desired men as assemblers who had a high degree of responsibility and willingness to take pains. In order to build up its organization, the company decided to hire an extra number of men and then retain those whom it found under trial to have the desired qualifications.

HIRING—*Establishing Contacts with Prospective Employees through Advertising.* A European company manufacturing high-grade automobiles by distinctive methods established a branch plant in the United States. In recruiting its labor force, the company decided to use advertising in order quickly to establish contacts with a large number of prospective employees from whom to select permanent employees on the basis of trial.

QUALITY CONTROL—*Methods of Maintaining during Organization of Work Force at Subsidiary Plant.* A European company manufacturing high-grade automobiles established a branch factory in the United States. Within a few months, it brought together a work force of 800 men whom it was unable to select with careful discrimination. To maintain the quality of its products made by this organization the American company provided gauges adapted to the work processed, gave the workmen written instructions regarding the use of testing apparatus, and obtained a relatively large corps of experienced and trustworthy supervisors from the European establishment to take charge of the new organization.

(1919)

The Hurlock Company was a European manufacturer of high-priced motor cars. For many years, most of the sales had been made in the country where the company was located. Foreign sales gradually increased, however, and in 1919 a factory was established in the United States to supply the growing American demand. One of the Hurlock Company's first problems in connection with the new plant was that of recruiting employees to start production as soon as possible.

The new factory was situated in a city with a population of

¹ Fictitious name.

150,000. Within a 10-mile radius of the city were 5 other communities which had a combined population of 130,000. Industry throughout the district was diversified, although the largest single class of employees was a high type of machine operators. Industries represented in the district included wrapping machinery, candy machinery, textile machinery, bicycles and motorcycles, paper and paper products, drop forgings, tools, automobile tires and tubes, textiles, electrical apparatus and supplies, and confectionery. When the Hurlock Company was ready to begin operations, industry in the district was experiencing a depression. Most of the factories had decreased the number of their employees, in some instances as much as 50%, and were operating part-time weeks which averaged about 4 days. The number of workers employed in the factories the preceding year had been approximately 50,000.

The market for the motor cars manufactured by the company was narrow. In Europe the company never had resorted to the large-scale production carried on by many automobile manufacturers in the United States. The company's reputation was dependent upon quality and mechanical perfection rather than on promptness of delivery. The two principal features of its automobiles were their excellence in mechanical design and the extreme care with which they were assembled. The engine, the transmission, and the differential were so designed that there was little opportunity for the maladjustment of parts after a car had been assembled. Material was not spared to attain that mechanical perfection; for example, a piece of steel stock 3 inches in diameter was turned down along most of its length to a shaft approximately 1 inch in diameter so that a gear could be cut on one end. Thus, there could be no possibility of play between the gear and the shaft. Extensive tests were given each car so that all necessary adjustments could be made before it was delivered to the purchaser.

For the establishment of its new factory in the United States, the company transplanted a skeleton organization from its European factory. That organization included the production executives, from the general manager to the foremen. Machine-shop operators, assemblers, and high-grade machinists were the three principal classes of labor required.

The parts of the automobile were manufactured according to

patterns. In processing some of the parts, the operators used a type of machine upon which was clamped a pattern to guide the tool in making each cut. On those machines the operators had only to start and stop the machine, insert the piece to be turned down, remove the finished piece, and be sure that the machine was running properly.

Final assembly was preceded by a series of subassemblies; one man built the motor, another the transmission, and a third the differential. A group of men worked together in the final assembly. Because of the importance of the mechanical design and of care in assembling the cars, an assembler's speed was not so essential as his care and workmanship.

The company expected to hire workers to the limit of its plant capacity and, after a period of trial, to retain those whom it judged were competent to work in its factory. Only in the assembly department were workers to be given formal instruction. One small manufacturer of high-grade automobiles in the district had failed a short time before the Hurlock Company had purchased its new plant. It was possible to secure assemblers and machinists from among the former employees of that company to form the nucleus of the labor force. The company believed that it could give steady employment throughout the year to desirable workers hired under this policy. It expected to employ from 700 to 800 workers at the start, but to reduce that number by one-half within 3 or 4 years, provided its volume of output per week remained the same. During that time, the better workers would have become proficient in the company's methods of manufacturing. The company desired its workers to develop a feeling of pride in the Hurlock Company's products.

Hiring methods in the European plant differed from those of most manufacturers in the United States. A large portion of the labor in the European factory was recruited through unions. The foremen interviewed all applicants sent to them by the unions' employment officials. It was customary for each manufacturing organization to employ a clerk who kept employment records for the use of the company, the union, and the government. For its plant in the United States the company appointed as employment agent a man familiar with the district. He was given complete authority to take such steps as he thought necessary to recruit the force as soon as possible.

The employment agent decided to use advertising. In the copy the company's name and location were given. In response to the advertisements many workers applied at the employment office, and most of the employees were recruited from men who applied in that way. Eight hundred workers were hired to begin the company's production program.

The company recognized that this method of creating a factory organization would have an adverse effect upon the high quality standards of the product unless the company put forth strenuous efforts to safeguard that quality. The company had brought a group of trained supervisors from its European plant to manage and inspect work in the American factory. All those supervisors had served the parent company in a similar capacity for at least 10 years. They came into the American organization determined that the quality of the American product should equal and possibly excel that of the European product. The company provided a large number of plug, snap, and thread gauges, with which to test the accuracy of the machining operations. The gauges to "prove up work" were listed, and their use specified, upon the instruction sheets issued to workmen. Inspection was carried on in connection with every important operation. Excessive shop losses of material and labor, the result of defective workmanship, were detected by the employment of a large number of capable supervisors and inspectors.

The company expected that within three years it could eliminate the use of many of the gauges, and that for a majority of items a final inspection only would be required. That inspection, however, was to apply to all operations and have reference to both quantity and quality of the work processed.

By 1924 the labor force had been reduced from 800 to 225, but the rate of output was maintained at two-thirds the original rate.

COMMENTARY: The company's method of creating its organization was not ruthless, though it might be so judged upon superficial examination. Over a period of three or four years, a reduction of 50% in the work force was practically certain to result from resignations and unavoidable labor losses, entirely apart from discharges on grounds of incompetency or unsatisfactory attitude.

In 1919 it was to be expected that the company would encounter unusual difficulties in selecting its work force. The city which the com-

pany located its plant was a machinery-manufacturing center, to which, no doubt, all varieties of workers had migrated during the war years. The control of operations and personnel in those years probably had not been of the highest order. Employees' references, therefore, would be unreliable to a certain degree. Besides, this company was a new employer of labor in the locality, and other employers had no community of interest with it in the matter of its labor-recruiting program. The company lacked such records of former employees and their performances as usually are possessed by an established enterprise.

In determining the presence of desirable qualities in applicants for assembly work, the company had another unusually difficult problem. The qualities desired in the permanent employees in the assembly and machine-maintenance departments were willingness to undertake responsibility and to take pains. The presence of these qualities cannot be ascertained in an interview, but can be determined best during a period of probationary service.

Other critical features of this company's recruiting problem were that its production methods were distinctive and that its supervisory organization was not composed of Americans. Human inertia causes opposition to new methods; when those methods are advanced by an alien group, the unfavorable reaction toward them may be greatly increased. It probably was necessary, therefore, to employ a somewhat larger force than the company decided to retain permanently, so that individuals who became dissatisfied with the company's methods or who were recalcitrant could be dispensed with.

The methods used to maintain the high quality standards of the company's product during the period of organization included detailed instructions for the workmen, an adequate supply of gauges especially adapted to the work processed, and a crew of experienced and dependable supervisors. The expense of supervision and inspection no doubt was excessive, judged on its own account and in comparison with normal cost standards. Nevertheless, that inspection was essential to maintain the reputation of the company's product and to prevent perhaps greater losses of material and direct-labor costs—the result of faulty workmanship. Such defective work, without an elaborate system of inspection, might pass to the assembly operation before being discovered.² In the event that defective parts are used in that operation, additional expense is entailed in disassembling the product and in replacing the defective materials.

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J. W. R.

² For an attempt to improve the effectiveness of inspection and to prevent defective parts from reaching the assembly department of a machinery-manufacturing company, see Thornhill Mill Machinery Company, 1 H.B.R. 112; commentary, 2 H.B.R. 409.

LITTLETON COMPANY¹

MANUFACTURER—ELECTRICAL EQUIPMENT

HIRING—*Vacancies Filled by Promoting Employees Rather Than Seeking New Employees.* In a company manufacturing electrical equipment in a locality where the suitable labor supply was scarce, the employment manager decided to fill vacancies in the upper grades of workers by promoting employees, whenever possible, rather than by seeking new workers to fill the vacancies directly.

(1924)

The Littleton Company manufactured many types of electrical apparatus and equipment. An employment manager was in charge of the hiring, disciplining, transferring, and discharging of the company's workers. All applicants for work were interviewed by the employment manager, after they had filled out the company's application form. If an applicant was not wanted at the time of the interview, his application was filed for future reference.

Production fluctuated little in the plant, regardless of cyclical changes in general business activity. The company operated the only electrical apparatus factory in the local labor market. In addition to persons experienced in the electrical manufacturing industry, the company hired craftsmen such as machinists, molders, and pattern makers, and also inexperienced persons who had to be trained to do specific tasks. Wages in the plant were somewhat higher than those current in the community for similar work. The company, in return for its policy of high wages, obtained exceptional effort from its employees.

When vacancies occurred in the departments, the foremen sent requests for replacements to the employment department. The company had not developed specifications for jobs in the plant. The employment manager previously had worked in a number of the plant departments. His knowledge of the operations enabled him to select suitable persons to fill the requests of the foremen.

In filling these requests, the employment manager had a choice of several methods. The most important and most frequently used method was that of promotion and transfer within the com-

¹ Fictitious name.

pany's organization. In following this method, the employment manager relied upon frequent talks with foremen and upon his records of individuals on the pay roll.

The employment manager of the Littleton Company believed it cheaper to fill vacancies whenever possible by promotion or transfer of employees, than by hiring outside persons to fill the vacancies directly. Many of the operations in the plant were related in their technique. Thus, an operative on one type of metal-working machine gained experience that was of value in doing work on a similar but more complicated machine. The time required to learn these semiskilled operations varied from several days to several weeks, but during the period the learner often processed at least 50% of the output that was expected of a proficient operative. The manager stated that part of the cost of hiring a new man was the necessity of making him familiar with the general layout of the factory and with the company's policies. The manager on this point said also:

There are always vacancies in any organization for the higher-skilled and better-trained employees, and the expense which has been incurred in training the man for the first position is always of value to him in his second position. More than that, the risks on the higher job of making waste and spoiling work are greater than on simple jobs, and if you have had experience with a man before you risk him on the higher grade of work, the chance of losing money in breaking him in is much less than in breaking in a new man.

Complete records of former employees currently working elsewhere, and of applicants who had been interviewed and tested but not employed, were filed by the employment department. Although much clerical work was involved in keeping track of former employees, that practice made reemployment possible. As to new workers, the company encouraged recommendations from its employees. It had found these recommendations usually trustworthy. In hiring relatives and friends of the foremen and the workmen, the employment manager was careful to segregate the newcomers from those who had sponsored them.²

By careful selection of applicants the company obtained only the higher type of the workers available in the community. Tests had been devised in the plant to indicate what tasks applicants

² For the experience of a company which found an opposite policy unsatisfactory, see Porter Manufacturing Company, 1 H.B.R. 210; commentary, 2 H.B.R. 455.

were best fitted for. These tests were given to determine the following characteristics in the applicant: dexterity with the fingers, mental aptitude for mechanical operations, and mathematical accuracy.

Advertising for labor seldom was resorted to by the Littleton Company. The company depended for its unskilled labor upon the supply of applicants at the gate. Applicants chosen from the group which applied were given physical examinations to test their fitness for the work. The employment manager found that the supply of applicants was likely to be inadequate in periods of active business and during the spring and summer months. Increased construction, road building, and railroad-maintenance work created a demand for common labor during the warm months, when that type of employee seemed to prefer outdoor work.

For clerical workers, the company depended primarily on high schools and business colleges, and the employment manager kept in touch with the authorities in charge of such local institutions. Candidates from these sources were available, however, only at graduation time. In addition, many of the girls in the shop were tested to see if they had the ability to learn to operate comptometers and adding machines. It was the opinion of the employment manager that semiskilled women operatives in the factory constituted an important source for both factory and office clerical workers.

The training activities of the Littleton Company were developed in three separate channels. In the first place, the company had operated an apprentice school since 1902. Two distinct courses were given, a four-year course for grammar-school graduates and a three-year course for high-school graduates. Instruction was given in arithmetic, algebra, mechanical drawing, geometry, English, tool design, metallurgy, and the principles of mechanism. Additional time was spent by the apprentices in learning to operate milling machines, grinders, lathes, shapers, and planers. The object of this instruction was to provide the fundamentals upon which a man could develop into a skilled mechanic. In the second place, in times of labor scarcity, the company operated a six months' training course for semiskilled men or specialists. The course was given in the machine shop. Unskilled workers from the plant or from outside were taught

to run one type of machine. Finally, the company operated classes after working hours, from 4:30 to 6:00, for men and girls who wished to spend some of their time in advancing themselves. The company's generally recognized policy of promoting and transferring within its organization caused many employees to undertake training in this way. The company paid the expense of this training.

The school of apprentices was primarily a source for skilled workers such as diemakers, toolmakers, and instrument makers. These men had gone through a three- or four-year course, had had experience in operating the various types of machines in the machine shop, and were capable of planning their work. Occasionally, in times of scarcity, the employment manager had recourse to open advertising for such skilled workers.

In the first six months of 1924, the labor turnover at the plant was only 20%. This factor and the training activities offset the scarcity of suitable workers which arose from the company's location in a town where there were no other plants of its own industry. In the opinion of the employment manager, the company's reputation was such that workmen were desirous of securing permanent positions in the plant. Furthermore, the number of employees was so large that a considerable number of transfers and promotions could be made without disrupting the organizations of the several departments.

COMMENTARY: This case presents the experience of one company with various methods of obtaining persons to fill vacancies in nonsupervisory positions in its organization. The method featured most prominently, that of promoting and transferring within the organization, accomplished a dual purpose; in each instance in which it was used a vacancy was filled, and an employee was promoted. Thus the organization was stimulated, while the executives were assured of the abilities of individuals who were assigned to fill vacancies.

A policy of promoting and transferring employees, rather than of seeking outside for workers to fill vacancies, may entail immediate costs in reorganizing the work force, but its long-run advantages also must be considered. The economies of such a policy probably vary greatly in different types of employment and in different organizations, although we lack evidence on this subject. Those economies would be lessened in industries in which service in one department is of little use, from the standpoint of skill, to an operative who wishes to be trans-

ferred to another department. If a variety of work is done in each department, the policy of filling vacancies by internal transfer of employees increases the versatility of those employees.

In graduated semiskilled work, where versatility is valuable, the worker's industry and native capacities are of more importance than his acquired skill, which consists chiefly in the ability to execute certain motions subconsciously. If the candidate's personal qualities other than his skill are satisfactory, he can acquire skill in an operation in a brief period. In this company, a transfer usually did not involve the learning of an intricate operation or the control of an entirely strange machine, but rather the learning of work which was closely related to an operation already performed.

As the company obtained exceptional effort from its employees, the largest portion of the cost of hiring new workers no doubt consisted (1) in the expense of experimenting with applicants to determine whether they wished to accommodate themselves to the company's standards, and (2) in the expense of drilling them in efficient habits of work. There was, in addition, the cost of informing the newcomer of the location of service departments and of acquainting him with shop regulations. These elements scarcely entered into the costs of internal promotions and transfers.

The Littleton Company endeavored to obtain the best type of labor in the local labor market. Many of the capable individuals in any labor classification wish to advance in earning capacity, and unless their employers offer them opportunities to advance, they take up employment elsewhere. The company's policy of promoting whenever possible was consistent with its policy of attracting energetic workmen, and that practice, in turn, made possible and necessary a wage scale above market levels.

The company's training program yielded it a supply of persons whose ability had been appraised carefully and who had accommodated themselves to the methods and standards of the company. These facts assured proper placement and a low rate of turnover among persons trained in the company's technical courses.

Under normal circumstances, it is advantageous to fill vacancies in the upper grades of work by promotions from lower grades, provided there are easy steps of advancement between the operations that are carried on in the plant. The promotions, of course, leave vacant in turn the places formerly held by the selected employees. But vacancies in the lower grades can be filled more economically than vacancies in the higher grades of work. An employment office, by the use of recommendations regarding prospective applicants from people already employed, and by interviewing and testing callers, can build up a file of

approved people upon whom it can call when vacancies in the lower ranks of jobs exist.

Not all the people in such a list will respond when called to take up work. The length of the interval between interview and call, the state of the labor market, and the company's reputation as an employer have a bearing upon the ratio of response. Advertising for labor and the immediate use of the caller at the gate should be resorted to only in emergencies.

July, 1926

J. W. R.

SHAREY COMPANY¹

LEATHER TANNERY—UPPER LEATHER

COST REDUCTION—*Women Assigned to Tasks Formerly Performed by Men.*

In order to reduce its labor cost, an upper-leather tannery decided, in July, 1924, to substitute women for men on the finishing operations. Smaller tanning establishments in the district had taken this step during the years from 1914 to 1918. These tasks required dextrous movements and attention to quality, but only light lifting and no mechanical ability.

HIRING—*Policy in Substituting Women for Men.* An upper-leather tannery, in introducing women into its finishing departments, did not discharge men in the process of substitution. It hired women instead of men when the production program was increased and transferred men already in the finishing departments to other work. That policy was adopted to avoid unfavorable comment and because it would not have serious consequences from a community standpoint.

(1924)

The Sharey Company was located in Pennsylvania, in one of the centers of the tanning industry in the United States. Near this city, which had a population of 20,000, were two other cities, one with a population of 100,000 and the other with a population of 45,000. The Sharey Company operated a large upper-leather tannery composed of 9 units. In July, 1924, these units employed approximately 2,600 workers, most of whom were semi-skilled. The products of the various units were diverse. The company never had had to shut down all the units at any one time. This fact, together with the short time required for employees to become proficient at most tannery operations, made possible, without great cost, the transfer of workers within the organization during periods when production of some of the products was curtailed.

In July, 1924, the general superintendent of the company contemplated adopting a policy of dilution which would effect the substitution of girls and women for men employed on certain finishing operations. He expected the company's production to increase so that the company could introduce women without discharging any men. Some men might be transferred from the finishing departments to other departments.

¹ Fictitious name.

Most of the finishing operations were "machine operations," in which production was dependent largely upon the speed of the machine and the operative's ability to feed the machine without lost motion. Proper feeding was important because the finish imparted had to be uniform on all parts of a skin. Operatives were required to exercise judgment in the finishing operations. Those operations were not automatic, and it was imperative that quality should not be sacrificed to speed.²

Most of the tanneries in the locality were smaller than that of the Sharey Company. During the five-year period following 1914, these tanneries had introduced women into their finishing rooms. Labor had been in great demand at the time and the men displaced had had no difficulty in finding work elsewhere. Only a few men had been displaced in each tannery. The companies making the dilution had not suffered from unfavorable public comment.

In the period from 1914 to 1919 the Sharey Company also

² Skins were cleansed, the flesh and hair were removed, and then the skins were tanned by the chrome or by the vegetable process. In those processes a chemical reaction took place. The chrome process took only a few days, the vegetable process six weeks. After they were tanned, the hides were dyed, washed, and dried. After drying, the skins were hard and stiff and had to be made pliable by the "staking out" process, by which the skins were pulled first one way and then the other, this making them pliable. Then they were rolled under a cylinder which passed, like a hand iron, back and forth over a table. This freed the skins from wrinkles and consolidated the fibers. Skins at this stage were given a "patent" finish or embossed in a large machine with engraved rollers to bring out the grain. Calfskin was finished in various ways: by rolling, it was given a glazed finish; by being subjected to pressure on the grained side under a cork board, a printed figure was made on the surface; by brushing, the leather was given a soft "flesh finish."

The general superintendent of the Sharey Company thought that girls might perform satisfactorily the following operations:

"Seasoning," or "hand-doping"—in which the operative laid each skin on a table and spread the seasoning compound over it by hand, using a small scrubber. The operative stood and leaned over the table.

"Brushing"—an operation in which the skins were lowered one at a time through a slot in a wooden table which covered the brushing apparatus. The skins came into contact with revolving brushes. Operatives stood at this work.

"Plushing"—an operation in which the skins were held by hand upon a revolving cylinder covered with the wool of a sheared lamb. Operatives could get a "friction burn" if their hands slipped from the skin on to the revolving cylinder. Operatives stood, bending slightly over the cylinder at times.

"Trimming"—in which rough edges were cut from skins with hand shears. A standing position was necessary.

"Glazing"—in which each skin was fed gradually across a table on which a roller about five inches wide ran back and forth much like a laundress' hand iron. The roller rested on the table only on the back stroke. This friction imparted a glaze to the grain side of the leather. Operatives were seated during the operation.

"Rolling"—essentially the same operation as glazing, only friction was not so great. Operatives stood.

had introduced women into its finishing departments, but only to replace men who left to enter military service or for other reasons. At the close of the World War, the Sharey Company had reemployed a number of the men and had displaced most of the women. The executives had not thought that the employment of women had yielded any substantial saving. As the other tanneries had continued to employ women, however, officials of the Sharey Company decided that its experience had not been conclusive.

Prior to 1922, wages and working conditions in the district practically had been dictated by the labor unions. During that year, however, the employees in the tanneries had struck for higher wages and every tannery in the district had been shut down for six months. When the strike ended, the managements of the tanneries had complete control over all relations with their working forces.

In July, 1924, the Sharey Company was employing 42 men and 6 women in the finishing departments. The average wage of the men employees in those departments was from \$28 to \$30 a week. The average wage of the women was from \$18 to \$20 a week. Most of the men in the finishing departments were English-speaking and had a standard of living higher than that of the foreign-born labor employed on the cleaning and tanning processes. Some of the men were married and owned homes; a number had been in the company's employ for many years.

The general superintendent believed that women would be able and willing to perform the finishing operations. He expected that their wages would be \$15 a week while they were learning the work and from \$18 to \$20 a week thereafter. All the other tanneries in the district had been successful in making the transition from male to female labor in the finishing departments. Moreover, he believed that the Sharey Company was in a favorable position to make the change without concerted opposition on the part of the employees, because of the results of the strike in 1922. Finally, there was in the vicinity an adequate supply of women available for this work. At the time, the local tanning industry was running at 60% of its capacity, although some units of the Sharey Company were running at capacity. Women temporarily out of work in other tanneries in Assibet and the two near-by cities could be employed.

The company expected that if it introduced women as proposed, even though it discharged no men, the men in the finishing departments would protest, regarding the step as a forerunner of their release. The company was not in a position to guarantee employment to any worker; hence these men would be concerned about their futures. It was difficult to find any work at the time, and almost impossible for men to find employment in the finishing departments of Assibet tanneries. It was probable that the men would make conditions uncomfortable for any women whom the company hired for the finishing departments. The men might have recourse to hazing and so cause a high rate of turnover among the women. Segregation of men and women to prevent such hazing was impossible. Moreover, the hazing might take place outside the plant. There was also the possibility that the foremen would sympathize with the men and permit hazing. Such a situation would tend to break down the morale in all the departments concerned. The company had been endeavoring to establish cordial relations with its employees. It had established an industrial relations department and was maintaining sick-benefit and pension funds.

The company also had to take into consideration the effect which the adoption of the proposed policy would have upon the community. Action by the Sharey Company, a large employer, naturally had more important consequences and aroused more comment than action by a small firm. The men employed in the finishing departments were useful, reliable members of the community. Since the community was given over in the main to the tanning industry, any men displaced by the Sharey Company in its finishing departments would have either to take up some other type of work in that company or in other tanneries or to move elsewhere.

Because of somewhat inactive business conditions in July, 1924, and the Sharey Company's position as a large employer, the company's executives deemed it best not to discharge men in order to introduce women into the finishing departments, but to effect the substitution by transferring men to other work and by hiring women rather than men when additional workers were needed for the departments.

Accordingly, the company employed 37 women for the finishing departments between July and November, 1924. No men

were discharged, but 20 were transferred to other departments. When women were introduced into any department, several were brought in at once and placed at adjacent machines. Foremen who were not in favor of the step were told that the policy had been definitely decided upon and that their cooperation was expected. Hazing was declared to justify discharge.

No adjustment in working hours was necessitated by the dilution; the weekly schedule of the Sharey Company was that prescribed by Pennsylvania law as the legal maximum for women in factories. Some expense was incurred by the installation of washrooms and a restroom for the women workers. A matron was employed to take charge of the restroom.

The company found that women took no longer to become proficient at the finishing operations than did men. Two weeks was the average training period required. The costs of training were caused chiefly by decreased production and damaged product. Some of the damaged skins could be refinished; not all were "seconds" or scrap. A number of the women were experienced and needed no training, having worked in the finishing departments of other tanneries.

The machinery and equipment used in the finishing departments had been built and assembled by local millwrights and machinists. These items were not expensive and the overhead charges on them were not large.

The employment of women necessitated some additional trucking assistance in the finishing departments, because the women could not transport the piles of leather to or from their machines. Truckers ordinarily took material to and from departments, but the men doing finishing work carried stock to and from their machines.

During the experimental period, the quality of the women's work in all the finishing departments where they were employed was reported to be satisfactory. The women, moreover, produced at approximately the same rates as the men on most of the operations. On the "seasoning," or hand-doping operation, however, for which no direct male labor was employed, the women's rate of output was only about 70% or 75% of the rate formerly maintained by the men. When the supplementary male labor necessitated by the employment of women in this department was taken into account, the output per worker in the department

was about two-thirds of its former figure. The lower output in this department probably was the result of the physical labor involved in the seasoning operation; operatives had to stand and bend over a wide table while spreading the seasoning compound upon the skins. This operation had to be done evenly in order to avoid "streaking."

As far as the management knew, little hazing took place. No discharges were made for this cause and no woman gave this reason for leaving the company's employ.

The industrial relations department, in tabulating absence and turnover figures, found that the absence and turnover rates for women were 50% higher than those for men.

Late in the year 1924, general business activity in the Sharey Company's district declined further. The company's production, nevertheless, continued at the same rate. Although the company had no opportunity, at the time, to introduce women as part of an expansion program, the economy which had resulted from the employment of women on finishing operations dictated the further substitution of women for men in those departments. If the company displaced men by further dilution, however, those men would find difficulty in obtaining employment in the community, and unfavorable public comment on the company's action would ensue. The company, consequently, decided to hold its dilution program in abeyance.

COMMENTARY: This case presents an instance of peace-time dilution in the interest of economy; the practice of dilution which attracted much attention during the World War was intended primarily to expand the labor supply.

"Dilution" means the introduction of a cheaper type of labor to take over, entirely or in part, work previously done by a dearer type of labor. The term probably arose from the concept of increasing the less skilled element in the labor force, thus "diluting" the quality of the labor force.

The economy of dilution in this case was substantial. With the exception of the "seasoning" process, there was a saving of from one-fourth to one-third in labor cost. A point that evidently did not occur to the executives, but which may be mentioned, was that women could be hired or laid off with less difficulty than men, since a larger percentage of them ordinarily did not have sole responsibility for supporting their families. The company's experience was that the cost

of training women was not greater than the cost of training men, and the quality of work processed by the women was satisfactory.

The offsetting costs of introducing women were connected with increased labor turnover and absenteeism among them, the indirect labor that was provided to handle materials, and the expense of equipping and maintaining additional washrooms and a restroom.

It will be noted that the materials upon which women worked were light in weight, the machines operated were simple, and the work required patience and attention to quality of finish. These conditions are among those that characterized industrial work upon which women were satisfactory during the World War.

In appraising the savings from dilution, attention should be given to its probable effect upon overhead costs. If women cannot process as much as men, the reduced output is costly in proportion to the overhead expense involved. Substandard output from an expensive machine may result in advanced overhead costs that entirely offset the lower direct-labor costs attained by employing a cheaper type of operative. In this case, low overhead rates per machine made the direct-labor economies largely a net saving.

The Sharey Company's method of introducing women into departments formerly containing men exclusively is suggestive to any employer undertaking to dilute his labor force. The acquiescence of the men doubtless was due in large part to the company's policy of not discharging men in order to introduce women. That decision indicates a wise regard, by a large employing company in a small community, for the social consequences of its labor policy.

September, 1925

J. W. R.

ALPHA PAPER COMPANY¹

MANUFACTURER—WRITING PAPER

HIRING—*Vacancies Filled on Racial Basis.* A writing-paper mill which employed Portuguese, Polish, and French-Canadian women in the rag-cutting department found that Portuguese women had a lower rate of turnover than Polish and French-Canadian women. The issue arose whether in filling vacancies in that department, the mill should give preference to Portuguese women.

(1925)

One of the processes in writing-paper manufacture is the sorting and cutting of rags. Rags used in this process are gathered in large cities; they are discarded garments and outworn textiles of various sorts. Some of the rags are imported from abroad.

Rag sorting and cutting in the Alpha Paper Company's paper mill was done entirely by hand. Operatives in the "rag room" searched for and removed foreign materials, such as hooks, fur, buttons, and rubber, which would damage the paper-making machinery and spoil the finished paper. The operatives also opened seams and cut the large rags into smaller pieces so that they were chopped and shredded more easily in subsequent machine operations. Women were employed exclusively for this work, which was monotonous and dirty.

Of the women laborers available at the Alpha Paper Company's mill, Portuguese, Polish, and French-Canadian women, in the order named, showed most aptitude for the work of rag cutting and sorting and were most satisfied to continue on it. The women in the rag room were paid on an hourly basis. In the community, the available numbers of women of each nationality mentioned were about equal.

The executives of the Alpha Paper Company consulted as to whether vacancies in the rag-cutting room should be filled, in so far as possible, by Portuguese women.

COMMENTARY: Since Portuguese women apparently were satisfied with the work to a greater degree than women of other nationalities, it might have appeared profitable to employ them predominantly or exclusively in the rag room. That policy was undesirable, however,

¹ Fictitious name.

because it would have resulted in a predominant racial group in the department, capable of mass feeling and mass action, and difficult to control. A predominant racial group of this grade of labor probably would oppose and harass women of other nationalities that later might be employed,² and thus the company would reduce its potential labor supply. No doubt some French-Canadian and Polish women were satisfied with the employment. Since each operative worked independently, racial antagonism would not interfere directly with production. Finally, the cost of turnover was low. The small immediate reduction in turnover cost by hiring Portuguese women exclusively for the rag room would probably be more than offset after a time by difficulties resulting from the existence of such a preponderant national group in the department.

September, 1925

J. W. R.

² Examples of this tendency are reported in the Altoona Steel Company case, page 30.

ALTOONA STEEL COMPANY¹

MANUFACTURER—STEEL PRODUCTS

DISCIPLINE ENFORCEMENT—*Transfer of Employees to Prevent Racial Persecution.* A company employed 4,000 workers, among whom 34 nationalities were represented. An investigation by its employment manager revealed the existence of antagonism between nationalities. The employment manager decided to reassign men in order to prevent people of any nationality from having a preponderant influence in any department, since national group solidarity had interfered with productivity and freedom to assign and employ individuals.

(1919)

The Altoona Steel Company was located in an eastern city of 150,000 inhabitants. It employed 4,000 workers, representing 34 nationalities. Until 1919, labor relations had been left largely in the hands of the foremen and superintendents. In the spring of that year, the company instituted a new labor policy. The employment office, which previously had been merely an agency for listing applicants for employment, was given larger powers; a capable man was secured as employment manager, who, among other things, was to review the methods of personnel administration in the several departments.

Since the general manager of the company suspected that antagonisms based on nationality had grown up in the organization and that employees in some departments had been successful in keeping out of those departments men of nationalities different from their own, the employment manager was instructed to study nationalistic antagonisms in the works and to note the results of the preponderance of any one nationality in any manufacturing department. His investigation of the matter led the employment manager to recommend that no more than 50%, and preferably no more than 25%, of the personnel of any department should be people of any one foreign nationality. The general manager authorized him to bring that condition about gradually.

The employment manager decided to correct the situation by reassigning some employees to different departments. He also decided to start Americanization classes to reduce the barriers

¹ Fictitious name.

between the foreign-born employees and the supervisors, who were mainly American. The employment manager started a record of the numbers and percentages of each nationality in each department.

At the time, the packing department in one division of the plant was manned by 14 Poles under an American foreman. No attention had been paid to this situation because the work was simple and apparently had progressed smoothly. The employment manager transferred a Turk to the department. Three days later the Turk reported to the employment office and asked to be transferred at once to another part of the works.

The Turk stated that the Poles were calling him foul names in Turkish which they had learned from some source. The Turk had an excellent record as a workman, and the employment manager knew the peculiar sensitiveness of men of his race to insulting epithets. There were 512 Poles in the plant work force, and 162 Turks.

Instead of granting the Turk's request, the employment manager said that he would try to correct the difficulty. Accordingly, he transferred one of the Poles from the packing department, replacing him with a Turk. Neither of the Turks in the packing room reported any grievance on account of opposition by the Poles thereafter. Two months later the employment manager transferred two Poles from this department and filled their places with a Russian Jew and a Lett.

Another department under an American foreman was composed entirely of Letts and Poles. They had succeeded in eliminating several employees who were of other nationalities. They also had maintained a system of "soldiering"² which the foreman had been unable to stop. The employment manager transferred to the department an Italian who had established a reputation as an excellent workman. The Italian performed his work with his accustomed diligence. His work was in sharp contrast to that of the other men in the room; consequently they persecuted him in a number of ways. They would tinker with his machine, his raw material, or his finished stock when he was absent from his workplace. For a week the Italian withstood their hazing and persisted in doing his work.

² "Soldiering" is a term applied to attempts by employees to limit their efforts while at work.

At the end of that week, the Italian's case was discussed by the plant superintendent, the foreman, and the employment manager. The superintendent thought that the persecution would cause the Italian to quit his work. He did not wish to lose the Italian and suggested that the employment manager transfer that employee to some other department.

COMMENTARY: In this case are brought out some business aspects of the "melting-pot" process which has been characteristic of many phases of American life. The fact that 34 nationalities were represented among the employees of one company constituted a problem of no small importance, both to the management and to the community.

Presumably, as immigration is limited and as conditions of our industrial life become more stable, issues of the nature present here will no longer arise. The case is significant, historically, of the part played by business management in helping to break down the strictly nationalistic leanings of immigrants. This is one of the first steps toward assimilation.

The national groups were obstructing the employment or transfer of individual workers and also were restricting production. That condition rendered supervision difficult. The groups had gained power, yet they had little vision or sense of responsibility. The employment manager's decision to reassign men in order to create a balance of nationalities in each department, brought the various nationalities into contact and tended to break down those national antagonisms which were largely the result of ignorance. The Americanization courses started by or with the support of this company aided too in establishing mutual understanding between the various nationalities in the work force and between the work force and the American foremen.

To the second problem, a solution parallel to that used in the first case might well have been applied. Another Italian and, at subsequent times, men of other nationalities could have been transferred to the department. Had the company transferred the Italian from the department, it simply would have caused the Letts and Poles to redouble their efforts to maintain their control of the make-up and methods of that department.

March, 1926

J. W. R.

MANKONA COMPANY¹

MANUFACTURER

HIRING—*Employees' Petition Asking Restriction of Employment of Married Women Refused.* The employees' advisory council of a company engaged in the predominant industry in its city asked the company to cease employing married women whose husbands were physically able to work. The joint committee of management and employee representatives to which this motion was referred reported unfavorably upon it. The committee held that, since the supply of female labor in the city was limited, the company would be at a competitive disadvantage if it refused to employ married women, and that to do so would be to interfere improperly with the private affairs of the employees. The committee's report was accepted by the employees' advisory council.

(1924)

In the spring of 1924 the management of the Mankona Company received a request from the employees' advisory council reading as follows:

We recommend that the Mankona Company give employment to no married women whose husbands are physically able to work. We recommend this action because we believe the wage of the head of the family should be large enough to take care of the needs of the average family, and that the employment of married women tends to destroy that proper home life which is the ideal and hope of good American citizens.

The Mankona Company was located in a city of 200,000 inhabitants. This city was a center for the manufacture of a related group of products, some of which the company produced. Four large companies and three small companies in the city were engaged in that industry.

The Mankona Company employed 11,000 persons. Approximately 950 of these were women, 37% of whom were married. The labor force of one of the Mankona Company's competitors was 30% women and 70% men. That company produced a wider variety of finished articles than did the Mankona Company, and for the finishing process had found the labor of women economical because of their deftness, speed, and patience. The Mankona Company, if at a later time it began manufacturing

¹ Fictitious name.

some of the finished articles produced by that competitor, probably would wish to increase the percentage of women it employed.

In accordance with the customary procedure under the company's plan of employee representation, the request concerning the employment of married women was referred for investigation to a joint committee. The committee was composed of two representatives of the management and two representatives of the employees. The committee presented the following report:

We find that there are two main reasons for this motion:

1. It is felt that the employment of married women with children, whose husbands are able to work, tends to destroy home life.

2. It is felt also that where it is the custom for husbands and wives to enter industry, the tendency is toward lower wages, thus putting a hardship on the man who honestly endeavors to support his family by his own efforts.

At present approximately 37% of the 950 women employed are married. The employment department informs us that in interviewing women for employment it considers the four following items: (a) Physical fitness for the work. (b) Age. Girls must be over 21 before they can work any other shift than the first shift, and the company gives preference to women under 35. (c) Experience. By this is meant experience in any sort of factory work and also experience on the particular job for which the applicant is being considered. (d) Possible length of service. The interviewer attempts to determine how long the applicant will remain with the Mankona Company. It can be seen that only under point four does the question of marriage enter. Are married women more likely to leave our employ than single women? The labor department has not compared figures on this point regularly in the past, but the records of the last two months have been examined and they show the following rates of turnover for married and single women:

TURNOVER ON AN ANNUAL BASIS*

Month	Married Women	Single Women
April	99.6	64.7
May	80.1	77.6

*Turnover calculated as follows:

$$\frac{\text{Number of separations each month} \times 12}{\text{Average number employed}} = \text{Turnover}$$

The labor department believes that single women have a lower rate of turnover, and this investigation would appear to confirm this impression, although the degree of difference does not seem to be great.

The committee is not in favor of this motion for the following reasons:

1. The company always has been in need of girls because of the

demand of other companies upon the available supply. It will be recalled that one large company in this city, in an effort to increase its supply of female labor, had one man spend six months in Ohio, Indiana, Illinois, and Michigan recruiting female labor. It was alleged that 2,500 girls came to this city as a result of the campaign. In spite of this, however, the number of women available is very limited, and when it is recalled that nearly 40% of our force of women are married, it will be realized that the adoption of a policy prohibiting the employment of married women would cause this company great hardship and expense in filling up the ranks of female labor.

2. Although it has been suggested that the Mankona Company should adopt this policy for the social good and then try to get our competitors in the community to follow suit, our view is that the other companies would not fall in line. If the Mankona Company adopts the policy alone, it will be placed at a disadvantage in competing with the other companies. It will have to obtain female labor at higher cost from the other companies, or bring female labor into this city at considerable expense, or it will have to use male labor on the operations vacated by married women at higher cost.

3. Such a stand by this company is unwise because the company is dealing with a matter beyond its proper scope of action. It will be difficult to pass upon a case if the married women claim their employment is necessary. The task is unpleasant and doubtless will arouse unfavorable criticism.

This report of the joint committee was accepted by the employees' advisory council, and the request of that body was withdrawn.

COMMENTARY: Clearly, this petition was advanced in the hope that the Mankona Company would set a precedent among the employers in the community. Had the precedent become general, the supply of employable women would have been much restricted. In consequence, women's wages and perhaps men's wages in the local market might have tended upwards. It is extremely doubtful, however, whether other employers in the locality would have followed the lead of the Mankona Company had it granted this petition.

Had the petition been granted, the probability is that the Mankona Company and other employers in the community would in effect have exchanged employees. The Mankona Company would have dismissed married women and obtained single women; other companies would have done the reverse. The step probably would not have reduced the supply of women for industrial employment in the community, and therefore it would have had a negligible effect upon women's wages. On the other hand, manufacturing costs would have increased tem-

porarily because of the labor turnover involved in the exchange process.

By dismissing its married women employees, the Mankona Company would not have converted them to the view that they no longer should be wage earners.

Irrespective of the merits of the petitioners' aim concerning family life, their method should have been to advocate personal and community standards that accorded with their views. Those standards could have been attained more easily by persuasion than by coercion. It may be added also that the mental attitude of the married woman toward her family obligations is a more fundamental influence upon home life than the mere fact of her employment in a gainful occupation.

The committee's decision was justified on both grounds mentioned. By granting the request, the company would have placed itself at a competitive disadvantage and would have had to trespass upon the private affairs of women employees or applicants for employment.

July, 1926

J. W. R.

PENN PAPER BOX COMPANY¹

MANUFACTURER—PAPER BOXES

FACTORY LOCATION—*Determined by Labor Supply.* A company manufacturing paper boxes, located in a large eastern city, experienced a shortage of women workers, who made up three-fourths of the working force. When it became necessary to expand the capacity of the plant, the company decided to locate a second factory in a section of that city in which the industries demanded chiefly men laborers, believing that the women members of workmen's families there would be available for employment as box makers.

(1920)

The Penn Paper Box Company was located in a large eastern city of diversified manufacturing industries. The company's products consisted almost entirely of small cardboard boxes used as containers for various kinds of packaged goods. Among its products were candy boxes, soap containers, packages for tea and coffee, and boxes of various sizes to hold dry goods. Because of the bulk of made-up boxes, the company's market was restricted to local territory, and chiefly to the metropolitan area of the city in which it was located. In 1920 the board of directors decided that additional plant capacity was needed to fill orders which the company was receiving. One of the factors to be considered in deciding upon the best method of expanding the plant was the necessity of securing an adequate supply of women workers.

The company used semiautomatic machinery so far as possible in its plant. Nevertheless, a large amount of handwork was necessary in making the better grades of boxes. Work in the plant was of a tedious and monotonous nature. The company normally employed 200 workers, 50 men and 150 women. The employees were chiefly American-born, although a number of foreign-born women had been hired prior to 1920.

The Penn Paper Box Company had experienced a high labor turnover, which was attributed in part to the nature of the work. Moreover, the wages paid by the company were not attractive. Practically all work was paid for according to the piece-rate

¹ Fictitious name.

system. The rates were fixed so that operatives earned weekly wages that met the market competition for the type of labor hired. The company had decided that this practice was necessary because of the keen competition in the paper-box industry. Little opportunity for advancement was offered to the employees.

During periods of normal business activity the company had experienced difficulty in securing and retaining enough workers to fill its needs. The section of the city in which the company was located contained numerous industrial establishments, among them textile mills and clothing factories. During 1920 the labor shortage was more serious than at any previous time.

The president decided to lease or erect a branch factory in the same city but in a section offering a more adequate supply of women workers than was available at the principal plant, which had to enter the market in competition with textile mills, clothing factories, and other employers of women. He chose a site in a locality in which the industries demanded chiefly male labor, since he believed that the women members of workmen's families in that locality would constitute an adequate supply for the personnel requirements of the branch. The company readily obtained satisfactory women workers at the new location. Some of the women hired had traveled long distances to work previously and were glad to find employment near their homes.

COMMENTARY: This case permits a contrast between two stages in the process of plant location. The first stage is that of regional location; the second, that of site location. The final result usually is a compromise between interacting forces, but in these two stages different forces are at work.

The regional location of this company's plant was dictated by market factors. This company, like others manufacturing made-up paper boxes, had a bulky product to deliver to its customers upon short notice and sometimes at frequently recurring intervals.

In the selection of a site, however, the conditions of labor supply were of controlling importance. Since three-fourths of the people employed by the company were women, and since the company in its original location competed with other employers of women, it decided to expand by establishing a branch plant in a district in which the industries demanded chiefly men. In that district the company would find minimum competition for labor of the type it required.

September, 1925

J. W. R.

MORELANE RUBBER COMPANY¹

MANUFACTURER—RUBBER PRODUCTS

EXPANSION OF WORK FORCE—*Short-Period Extra Shift for Emergency Production.* To increase the capacity of its heel department in an emergency, the company ran heel presses continuously. Their output could not be trimmed and inspected by the women regularly employed, who worked 48 hours per week. An extra shift of men for that work would have increased labor cost. The employment of women longer than 48 hours per week or after 10 at night was prohibited by state law. The company, therefore, employed an extra shift, comprising foreign-born married women, to work from 5 to 10 p.m. as trimmers and inspectors in its heel department.

(1920)

Early in 1920, the Morelane Rubber Company obtained a number of contracts from shoe manufacturing companies for large quantities of rubber heels. To fill those orders, the company ran its heel-molding presses continuously; it organized three shifts of men for that purpose. The arrangement, however, disrupted the previous coordination of the heel department. The number of heels molded in 24 hours could not be trimmed and inspected by the force of women regularly employed as trimmers and inspectors. The company's available trimming equipment did not permit increasing the force of 100 women engaged in trimming and inspection sufficiently to restore the balance between the several processes.

The Morelane Rubber Company's plant was located in the industrial section of a large Massachusetts city. Native and foreign-born workmen resided in the vicinity. Among the foreign-born population were Polish, Italian, Russian, Lithuanian, and Armenian families.

Manufacture of rubber heels was a relatively simple process. After the rubber had been cleaned, dried, and compounded, it was taken in uncured sheets to the heel-molding department. There were from 32 to 48 individual heel cavities in each mold used in the process. A number of pins protruding from the bottom of each cavity created the holes that appeared on finished rubber heels. Small metal washers were placed on these pins,

¹ Fictitious name.

and the washers were transferred to the rubber heels in the molding process. The washers prevented the nails that held the heels to the shoes from passing through the rubber. The uncured sheet of rubber was cut into "biscuits" about the size of each cavity; washers were placed on the pins; the biscuits then were laid in the mold, and the mold was closed by hydraulic pressure. The "decks" between which the mold was pressed were steam-jacketed, and the heat cured the heels during the time that they were under pressure, a period of from 12 to 15 minutes.

Usually there was an overflow of rubber in the form of ragged edges around the heels when they were taken from the molds. The heels were conveyed to trimmers who removed this overflow. The trimmers worked at long tables; each had before her a small machine with a set of rotating knives, with which she quickly cut the ragged edges from the finished heels. As the heels were finished the trimmers put them on belt carriers, which delivered them to the other side of the table, where they were inspected and packed in pasteboard boxes. The inspectors were responsible for intercepting and discarding any heels that were improperly molded or marred by the trimmers, or, in the case of light colored heels, any that were discolored. The little metal washers, moreover, became misplaced on the mold pins at times, and as a result they were found imbedded in the heels at the wrong place. Such heels had to be discarded also. The Morelane Rubber Company employed 34 women as inspectors and 66 women as trimmers.

The weekly schedule of the plant prescribed $8\frac{2}{3}$ hours of work on 5 days of the week and $4\frac{2}{3}$ hours of work on Saturday. Work began at 7:20 in the morning and closed at 5 p.m., with an hour for lunch, on the first 5 days of the week; work began at 7:20 and stopped at noon on Saturday. After the receipt of the large contracts in January, 1920, the Morelane Rubber Company added enough trimmers and inspectors to its force to take up all available space and to utilize all the trimming equipment in the heel department; nevertheless, the molding crews processed about 50% more heels than the women could trim and inspect.

Legally, the Morelane Rubber Company could not allow the regular trimming and inspection force to work overtime. A state law relating to employment of women read in part as follows:

The hours of employment for women in factories, workshops, manufacturing, mercantile, or mechanical establishments shall not be more than 9 hours in any day, or more than 48 hours in any week. In manufacturing establishments work for women over 21 years of age must not begin before 6 a.m. and must not last later than 10 p.m.

No women can be employed continuously for a period longer than 6 hours without being allowed 45 minutes' rest or lunch period.

The manager of the Morelane Rubber Company decided to employ an extra shift of women to work from 5 p.m. to 10 p.m. as trimmers and inspectors. Applicants at the company's employment office did not desire that work, however. Their objection was that they could not earn more than \$9.50 a week at work which lasted only 5 hours a day.

The manager did not deem it advisable to pay women on this extra shift a higher rate per hour than was paid the women on the day shift. Those women received between \$15 and \$18 a week. He could have hired men for the night shift and have asked them to work for 8 or 10 hours if necessary, but wages for men of the type needed for this work were \$25 or more a week.

The manager thought that the numerous women without industrial experience in the community, who had household duties through the day, might be willing to come into the factory temporarily to do the work in question. Frequently these women had the help of daughters to whom they could turn over their household affairs after 5 p.m. The manager posted a sign on the factory gate stating a need for women employees to work from 5 p.m. to 10 p.m. He also asked the company's employees to inform any neighbors who might be interested in doing the work. He obtained an adequate number of women for the trimming operations as a result of these efforts. In order to increase the number of inspectors, he transferred to inspection work a number of the more intelligent and experienced trimmers.

COMMENTARY: The solution adopted by the Morelane Rubber Company was a temporary readjustment justifiable, perhaps, under the circumstances. Whether there was a prospect of further large contracts for rubber heels is not stated, and it may be assumed that the company thought that the quantity of product called for by the contracts in hand was exceptional. In that event, the company would not wish to increase the heel department's equipment. The solution adopted permitted the equipment then owned to be operated more hours each day by a grade of labor receiving low wages.

If the women obtained for the short night shift were paid on a piece-rate basis, the company did not sustain additional direct-labor cost as a result of the fatigue of these workers. That fatigue probably was more than normal inasmuch as their working period both at home and in the factory was probably not less than 15 hours a day. The effect of their long hours of labor upon these workers would become manifest after several months. If an ample supply of such labor was available, the company, of course, could replace women whose output was not satisfactory.

Evidently, the women employed desired additional funds. When their income augmented family resources, no doubt other members of their families approved of their employment. From a social standpoint, nevertheless, the company's policy was questionable. Although the solution violated no law, it ran counter to the intent of the legislators. They wished to prevent factory employment from impairing the health of women in the state.

In the event that the increase in output of the rubber heel department was to be needed permanently, the company surely would wish to install additional equipment. This equipment would be operated by women during the day. It would prove more economical and would result in better community relations than would the continuance of the company's temporary policy described in this case.

October, 1925

J. W. R.

MALFORD COMPANY¹

REFINER—PETROLEUM

PROMOTION—*Denial of Employees' Request That Promotion Be Based on Seniority.* A petroleum refining company more than 50 years old had a high percentage of long-service employees. Those men desired that a seniority rule be applied in reassignments to better paid and more exacting work. Because the company was growing rapidly and its manufacturing and marketing technique constantly was being improved, and because of keen competition in the industry, the company denied that request and stated in a general bulletin to all plant managers that reassignments were to be made primarily on the grounds of ability; that as between employees whose ability the management thought equal, seniority should govern promotion, but that seniority should have reference to service with the company rather than in a specific department.

TRANSFER OF EMPLOYEES—*Rejection of Departmental Seniority Rule as Infringing on Free Transfer of Employees.* A petroleum company whose business was expanding at the rate of approximately 25% per annum, and whose properties were widely scattered, found it necessary to transfer employees in building up its producing, refining, and marketing organizations. Because of its need for freedom to transfer employees, it refused to adopt an employees' request that it apply a departmental seniority rule which would govern advancement and layoff.

(1924)

The organization of the Malford Company was 53 years old in 1924. The company was engaged in the production, transportation, refining, and distribution of petroleum products. Six refineries were operated; 3 of them were located near each other in one state. The company maintained approximately 800 retail filling stations scattered throughout 7 eastern states.

A relatively large number of long-service employees were on the pay roll. Those employees gradually had come to think that they were entitled to special consideration in view of their length of service. On that basis, they desired preference in reassignments to better work, in retention at times of layoff, and in being rehired after layoffs. Besides favoring the application of a seniority rule, many employees wished the company to figure seniority with reference to service within a department rather than with reference to all service with the company.

¹ Fictitious name.

In the many cases that had arisen on these questions at the company's different properties, the plant superintendents and departmental foremen had followed no uniform practice. The superintendent of one plant was known to favor older men in reassignments to better work, whereas most of the plant superintendents gave primary weight to ability. When reassignments to better positions were left to the foremen's discretion, some foremen were prone to give the principal weight to seniority.

In 1924 the adoption of the seniority rule at one plant was urged by an aggressive employee representative who was known to desire personal prominence. The plant superintendent thought that some definite and generally applicable ruling on the seniority question should be made so that the issue could be regarded as closed. He communicated this suggestion to the company's management committee, which was composed of the company's general managers, one for each of the manufacturing properties. The general managers had headquarters at the company's central offices, and met there as a management committee each week to consider broad general management policies.

One of the main plants, which normally employed 5,000 men, had a refinery with a capacity of 300,000 barrels a day, and equipment with a capacity of 58,000 barrels a day for the reduction of crude oils through all the stages. One division of the plant manufactured cases and tin cans, and packed the products. Another division manufactured barrels; another manufactured sulphuric acid.

A different plant, which employed approximately 4,000 men, had a refining capacity of 60,000 barrels a day. One division of this plant "restored" sulphuric acid which had been used in the refining processes. A third plant employed 1,200 men; it had a refining capacity of 17,000 barrels a day.

In the company's largest plant 90% of the men employed were classed as skilled and semiskilled workers, the other 10% as common laborers. Seventy per cent of the men had been born in foreign countries. Labor turnover for 1923 averaged 2.37% a month, and for the first 9 months of 1924, 2.7% a month. Labor turnover as figured by this company was the ratio of losses or exits to the average force, including temporarily inactive men. Forty per cent of the men in one main plant had been in the company's employ for at least 10 years. This high

percentage of long-service employees resulted from the company's long-established policy of paying wages higher than the average for the industry, from excellent working conditions, and from various benefits such as sickness-relief and retirement funds.

Rapid changes had taken place in the methods and processes for the refining of petroleum. As a result, some departments in the company's plants had been discontinued and the men therein shifted to other departments. Several departments had been in existence only a comparatively short period. A majority of the employees in them had had no experience in other departments, and consequently had no conception of the breadth of the company's operations.

In the decade preceding 1924, the Malford Company had grown at the rate of about 25% a year. Its growth resulted chiefly from the widening use of automobiles. In order to meet the demand for gasoline and other petroleum products, the company carried on an active search for new sources of raw material. It conducted prospecting operations in Europe, in the Far East, and in South America.

At the same time, the company was active in the development of new methods and new products. The tendency in the industry was to refine oil close to its source. The company was expanding its physical plant almost continuously at some point or other, and it had to reassign men from its older plants to construct and operate the new properties. When a temporary assignment was terminated, the company endeavored to retain in its employ the men involved and to assign them to their former work or other work, or to promote them. The company executives were convinced that unless men were reasonably sure of such treatment, they would hesitate to accept temporary assignments to distant localities. Few men were transferred between the producing, the refining, the transporting, and the marketing lines of the business, but there were many reassignments between the stations within each of these divisions of the company.

As a result of labor difficulties during 1917 and 1918, the Malford Company had developed a comprehensive labor plan. A personnel manager, who occupied a staff position, was employed in each plant. These personnel managers were responsible to the local plant superintendents. Each personnel manager had assistants in charge of education, of health, and of safety work.

Each personnel manager was responsible for hiring all employees and for starting them to work properly. The employment department also acted as a clearing agency which transferred employees from one department to another; the employment departments of the company's three neighboring refineries, and, in less degree, all its employment departments, cooperated in arranging transfers between the plants. The employees at any plant were invited to come to the employment department with matters of concern to them personally. The company's personnel program was supervised by a staff official at the central office.

In 1918 the company installed a plan of employee representation for the purpose of handling employee grievances and negotiating wage rates. Wage adjustments were made in the plant conferences, but were subject to the approval of the company's board of directors. The company provided sickness and death benefits for employees who had had more than one year of service with it. Accident benefits were paid in addition to those prescribed by workmen's state compensation laws. An employee who had completed 20 years of service and was 65 or more years old was eligible for retirement upon an annuity. The annuity allowance was 2% of the average earnings during the last five years preceding retirement, multiplied by the years of service.

The company's policy when reducing its working force on account of business depression was first to lay off "permanently" the comparatively inefficient employees of less than one year's service; it next laid off permanently the comparatively inefficient men of more than one year's service but less than 10 years' service. If further reduction was necessary, temporary layoffs were made and, later still, some of these temporary layoffs were changed to permanent layoffs. The company gave a week's notice of layoff to men who had had more than a year's service with it, and it gave two weeks' notice of layoff to men who had been with it more than five years. From the date of the beginning of a temporary layoff, men's privileges under the company's benefit plans were continued for a period of 90 to 180 days, and upon reemployment they gained full standing under these plans without a physical examination. The company granted one week's vacation with pay to employees who had had one year's service or more with it.

The management was of the opinion that the jurisdiction of the works council should not extend to the policy to be followed in reassigning employees or in establishing preference in layoff or reemployment. On the other hand, it thought that applications of the policy could be taken up with employee representatives in the works councils, and that the employees through these channels could appeal from any decision which they thought was made without adequate knowledge or was colored by prejudice. In the several years before this matter came to a head, the employees through the representation machinery had presented many cases in which they contended that seniority should have been the basis for reassignment and that seniority in a specific department should be considered rather than seniority in the employ of the company regardless of department.

One typical case was as follows: Two engineers, A and B, were employed in a boiler house as water tenders. A had had seven years' continuous experience with the company—two years in the mechanical department, two years in the "case and can" department, and three years in the boiler department. B had been in the employ of the company four years and during that time had worked only in the boiler department. In the fall of 1924, it was necessary to reduce the number of water tenders. The foreman in charge decided that the abilities of the two men in performing that job were equal, and he demoted B. B believed that he had a grievance against the management inasmuch as he had worked in that department a year longer than A. Although this case, after full discussion, was settled to the satisfaction of all concerned, it was followed by others at the same plant upon practically the same issue, and the management recognized that many of the workmen continued to favor a departmental seniority rule.

The workmen seemed to think that length of service was *prima facie* evidence of merit and that length of service should be rewarded by prior opportunity to try better work. It was not contended that seniority should govern promotions to supervisory positions. Some unreasoned statements had been made by employees who felt strongly upon the seniority issue. They said, for example, that the company did not apply the seniority rule because such a rule would prevent it from promoting favorites, and also because it feared to increase the expense of its pension plan.

In the company's plants there were numerous positions which required men of equal abilities; consequently, when reassignments were necessary the supervisors had to consider factors other than ability. In deciding upon the ability of men in more important positions, supervisors had been asked to consider performance, experience, knowledge of the work, potential ability, cooperative spirit, and ability to work without supervision. When, after such an analysis, men were regarded as having equal ability, the company's executives gave recognition to seniority in service and to the number of dependents as bases of discrimination among individuals being considered for reassignment, promotion, or layoff. Length of service in a given position was given weight in making a promotion within a department, because ability to perform a new task depended in some degree upon experience within that department. This point was brought out by the management in a number of cases, but both sides recognized that upon many routine tasks an employee gained little additional capacity because of service upon those tasks beyond six months or a year.

In view of the high percentage of long-service men in the company's organization and the probability that that percentage would increase, the management committee decided that this issue was serious enough to justify a general statement of company policy. That group, therefore, issued a general letter which stated that reassignments and promotions were to be made primarily on the basis of ability and that the management had the sole responsibility and right to judge the ability of individual employees. Opportunity was given to employees, however, through the plan of representation, to appeal from any supervisory decision on this question, because it was thought that in a large organization some cases of favoritism might occur. The letter stated that seniority of service would be given consideration only after the ability of the individuals considered for reassignment had been determined as equal, and that seniority was to be based upon company service rather than upon service within a specific department. This decision was made because the company did not wish its long-service employees to gain an entrenched position that would block the progress of more energetic and capable men who had had a shorter period of service with the company. The company's major executives recognized

also the need for keeping channels open through which men of ability could be developed and advanced in the organization.

By reason of the necessity of reorganizing its force and expanding in new territories, the company considered the basis of seniority to be the length of service of employees with the company rather than with a particular department. Otherwise, the company would have been hampered in transferring men to temporary assignments outside their departments. The men would have objected to the temporary assignments because of the consequent loss of seniority status. The executives recognized that the official order of itself would not dispel the men's feeling on this subject. They expected, however, that the order would make the practice of plant managers uniform and that repeated references to it in works council discussions gradually would give it an established standing which would restrain employees from making any serious effort to overthrow it.

COMMENTARY: The Malford Company was in a highly competitive industry, the manufacturing and marketing technique of which was developing rapidly. The company's volume of business was increasing at the rate of approximately 25% per annum. Under those circumstances the company's executives wished to promote initiative within its organization; they wished to prevent the growth of an unprogressive attitude on the part of its employees; and they wished to be free to make changes in operating methods. Therefore, they declined the request advanced by some employees that seniority should be the primary consideration in selecting men for advancement.

In view of the scattered locations of the company's operations, it had to transfer employees from one station to another in the process of its growth. The company had to be able to place employees at the conclusion of a temporary assignment in positions approximately equal to or better than the positions held by them prior to the temporary assignment. Endorsement of a departmental seniority rule would have rendered treatment of this kind difficult if not impossible. Therefore, in its recognition of seniority as a secondary factor in the selection of men for advancement, the company was obliged to calculate seniority with reference to service anywhere in the organization and not with reference to service at the employee's present departmental location.

The favor with which some of the company's employees viewed the departmental seniority rule was doubtless the result in part of their limited knowledge of the company's operations. Educational trips probably could have been arranged for groups of employees, who could

have visited all departments of the plant in which they were working, and thus have gained a better appreciation of the work of the company's organization. The employee conferences under the works council plan offered opportunity to the executives to convince some of the employees that the company organization as a whole had to be considered when men were reassigned or promoted.

The men in favor of a seniority rule did not contend that it was to govern promotions to the supervisory staff; they urged, however, that departmental seniority status should dictate tentative advancement to better paid and more exacting work not of a supervisory character. Under their recommendation, a man advanced because of seniority and then found incompetent would have to be demoted. A man who is demoted suffers a loss of self-esteem which reacts unfavorably upon his productive value. The Malford Company would have found it difficult to discharge such an individual if he had spent many years in its service. The difficulties of advancement according to seniority and its tendency to stifle initiative were overlooked by the employees who supported the rule. Under such a regulation, promising employees could not be reassigned from one task to another rapidly for purposes of developing them into junior executives.

In advancement to more exacting positions regard must be paid to people's apparent ability to perform those duties, and not to their skill upon their present tasks. The company's instructions to its foremen who were to rate subordinates, emphasized basic personal qualities as contrasted with dexterity upon and knowledge of a specific operation. Even with rigid elimination of unfit men, seniority of service in one type of position cannot dictate ability to discharge other more exacting duties. The slowness of many supervisors to discharge incompetents is a complicating factor in any attempt to apply the seniority rule in making promotions. As a worker grows older, moreover, his ability may decline and he is likely also to become less adaptable to new work because of a long period of narrow specialization.

No doubt the motives behind this request were difficult to determine, and they differed as between the individuals who favored it. Some people may have favored the request purely on emotional grounds; they previously might have felt a reduction in self-esteem when persons with less experience than they in point of time outstripped them in winning advancement. The application of the seniority rule in imposing layoffs might have been supported by some long-service employees who wished thus to add security to their positions. A number of employees may have wished to slow down the pace of the organization. Some young employees, accustomed to give deference to older persons, may have endorsed the general seniority principle even though

they would have challenged it upon its preventing their personal advancement. It is impossible to judge the degree of momentum given to the seniority demand by employee representatives who were seeking personal prestige among their fellows. It may be assumed, however, that favor for the seniority rule was not superimposed upon the employees by their spokesmen, but that it was favored by many employees for reasons arising from their personal experience.

Some reasons found elsewhere for employees' advocacy of the seniority rule were not present here. Upon street railways and steam railroads and in newspaper publishing houses, the seniority rule generally is in effect. Apart from the collectivist policy of the labor unions which are powerful in those industries, there are reasons for the employees to favor a seniority rule. Companies in those industries are not able to accord to all their workers uniform working conditions or an equal opportunity to work. Extra crews are needed to man equipment at times of peak demand. Those industries really sell service rather than wares, and their organizations vary in size from hour to hour. In addition to instability of employment, service upon the various shifts or runs which are scheduled during each 24-hour period varies greatly in attractiveness to employees. The seniority rule is advocated by employees in those industries because it is an easily administered method whereby they become entitled, first, to regular employment, and, second, to improvement in working hours and conditions as they continue to work in the industry. The rule eliminates the possibility of supervisory discrimination in these matters. Although some officials in those industries deplore the operation of the seniority rule in advancing incapable men at times, executives also recognize that the rule settles many vexing questions and disputes regarding the assignment of work.

In case many employees of a company have practically the same duties and advancement can be granted to but few men in that group, as the case with platform men upon a street railway, the seniority rule works little hardship either upon the company or upon the public. The company, of course, has the right to reject any probationer before he is admitted to the status of a skilled operative. The seniority rule is more questionable, both from the standpoint of the employer and of the public, if, as in train service upon steam railroads, it governs promotion to positions of increased responsibility.

The seniority rule works more harm when applied to promotions and reassignments than when applied to layoffs. The Malford Company gave more consideration to length of service in its layoff policy than in its promotion policy. Moreover, it rewarded length of service in ways which did not interfere with productive efficiency; it gave recognition to

length of service in calculating pensions, sickness relief payments, and vacations.

As business organizations age and become institutionalized, the pressure for a seniority rule increases. This problem, therefore, may be expected to gain more prominence in this country in the future. The organization of the Malford Company had become old enough to cause the question of seniority to concern a relatively large percentage of its work force.

The solution of the seniority issue may be dictated by operating conditions. Such matters as the fluctuation of work force from hour to hour, necessity for employing "extras," unavoidable differences in attractiveness of working assignments, keenness of competition, amount of technical change occurring in the industry, and rate of growth of the business organization involved, will influence the positions respectively of employer and employee upon the seniority issue.

In addition to the bearing of operating conditions upon the seniority issue, the judgments of persons immediately concerned in any adjustment of the question are conditioned by their age and outlook. Young men in both managerial and employee groups and most men in administrative positions are individualists; they wish opportunity to test their capacities in a competitive struggle. Executives who, as representatives of stockholders, are seeking to improve and perpetuate business organizations, naturally resent the hobbling of competition for advancement among their subordinates. The administrator holds that the application of the seniority rule enervates an organization, makes it unprogressive, and reduces its productivity.

On the other hand, the wage earners and foremen whose period of maximum energy and adaptability is past have quite a different view of the matter. Because of their immediate personal problems these men are prone to look favorably upon an employment regulation that will intrench them in their positions.

These attitudes toward the seniority rule are maintained with tenacity because they arise from personal experience and outlook. "Differences of opinion" on the issue are the result of feeling rather than of reason. Any specific solution of the issue will antagonize some people concerned, who probably will seek to reverse it. Therefore, any solution of the seniority issue is unlikely to be a final one.

The prevailing sentiment of the population also exercises an influence upon this question. In the United States that sentiment appears to have been in favor of free individual competition for advancement as the method whereby industry will be conducted in the main by the most capable people engaged in it.

CALDWELL TELEPHONE COMPANY¹

PUBLIC UTILITY

PROMOTION—*Marriage as Bar to Promotion.* Of 100 operators, 2 chief operators, and 12 supervisors employed in a telephone company's exchange, 4 operators, 1 chief operator, and 4 supervisors were married women. Promotions were based entirely upon efficiency. Employee representatives asked that the management demote the married supervisors and chief operator to the positions of operators, and in the future refuse to promote married women to such positions. It was asserted that married women, particularly those in supervisory positions, tended to remain longer in the employ of the company than did the unmarried employees, and that this tended to minimize the opportunities of operators for promotion. The company convinced the employee representatives that it could not properly grant their request.

(1924)

Approximately 100 telephone operators were employed in the central exchange of the Caldwell Telephone Company in 1924. To supervise that force the company employed a chief operator, an evening chief operator, and 12 supervisors. All these employees were women. It was the supervisors' duty to direct the operators in handling traffic, to coach and instruct them, and to handle difficult and special calls. The chief operators were in charge over all the operators and supervisors. Several of the 100 operators were known as senior operators and occupied a position intermediate between that of operator and supervisor. It was recognized that the chief operators and supervisors bore more responsibility than the operators, and accordingly they received more pay. The senior operators also were paid higher salaries than were the other operators.

One of the chief operators, four of the supervisors, and four of the operators in the company's central exchange were married. All these had been with the company for at least two years, and a few had been employed there for over fifteen years. At one of the joint conferences of representatives of the employees and the management, held under the plan of employee representation, the employee representatives asked that the company demote the married supervisors and the married chief operator to the

¹ Fictitious name.

positions of operators and in the future refuse to promote married women to such positions. It had been their experience, the employee representatives said, that a majority of the operators who married while employed by the company left within a short time, but that the minority who did remain, as well as many of those who were married when entering the company's employ, tended to remain longer than did the unmarried operators; this was held to be particularly true of married women in supervisory positions. The employee representatives stated that this stability of married supervisors tended to limit unduly the opportunities of operators for promotion.

The exchange provided continuous service throughout the 24 hours of each day. Operators and supervisors worked in so-called tours or shifts, the number working at any one time being adjusted to meet the traffic requirements. The tours were rotated so that ordinarily during each period of 3 months each operator and supervisor worked in the daytime for 2 months and in the evening for 1 month. The tours usually lasted 8 hours, although some of the less desirable evening tours lasted only 7 or 7½ hours. For example, a typical day tour was from 8 a.m. until 5 p.m., whereas an evening tour might be from 2 p.m. until 10 p.m. Sometimes the operators worked "split" tours; such a tour, for example, might be from 9 a.m. until 1 p.m. and from 6 p.m. until 9 p.m.

It was a policy of the Caldwell Telephone Company to base promotions entirely upon the efficient performance of duties, without reference to such factors as whether or not the employees were married. If the company discriminated against married women for the reason that their husbands were able to support them, by the same logic, the executives asserted, it should discriminate against girls under 21 who were legally dependent for support upon their parents.

The fairness to all concerned of the company's policy of promotion was discussed with the employee representatives in detail. It was also brought out that there were relatively numerous opportunities for advancement of operators. When a vacancy occurred in the position of chief operator or in other supervisory positions, those places were potential avenues of advancement for all operators.

On the basis of the facts, the management of the Caldwell

Telephone Company convinced the employees that it could not properly accede to their request that married supervisors and chief operators be demoted to the position of operators and that in the future supervisory positions no longer be awarded to married women.

COMMENTARY: The discrimination asked for by the employee representatives in this case rested upon the taking of a purely personal point of view by a majority of a working group, and a misconception of the fairness of the company's policy regarding the point raised. The request for the discrimination disregarded the interests of certain co-workers and the granting of it would have been harmful to the organization's morale.

The policy of advancing operatives on merit has been termed one of the foundations of American industry's productivity². The case is significant for the above-mentioned reasons and as illustrating the effectiveness of correcting misunderstandings by the presentation and frank discussion of the facts.

December, 1926

J. W. R.

² Austin and Lloyd, *The Secret of High Wages*, London, 1926, pp. 20-23.

TIOGA STEEL CORPORATION¹

MANUFACTURER—STEEL PRODUCTS

PROMOTION—*Plan Governed by Different Departmental Time Schedules.*

Because of the different time schedules of its several departments, a company manufacturing steel products had experienced difficulty in transferring reliable cranemen to positions of greater responsibility. Cranemen objected to being reassigned from a department working 10 hours or 12 hours a day to one operating 8 hours or 9 hours a day, since their hourly wages remained the same and they suffered a loss in daily earnings as a consequence. The company sought a policy to render transfer of cranemen to more exacting positions attractive, yet it could not discriminate between individuals and it did not wish to increase cranemen's hourly wages substantially.

(1920)

The Tioga Steel Corporation had experienced difficulty in transferring reliable cranemen to positions demanding increased skill. This difficulty arose on account of the varying lengths of the workday in the several departments of the company's plant. Cranemen objected to being advanced from a department working 10 hours or 12 hours a day to one operating 8 hours a day, since they suffered a loss in daily wages as a consequence. The company wished to establish some policy with regard to this matter, since it desired to advance cranemen with meritorious records to positions of greater responsibility, rather than to hire for those positions cranemen whom it had not employed previously.

The Tioga Steel Corporation, located in the Pittsburgh district of Pennsylvania, was a large producer of fine steel products in finished form. It operated an open-hearth department, rolling mills, an iron foundry, and machine shops.

The company purchased pig iron, which was made into steel in the open-hearth department; it rolled the steel ingots, cast in the open-hearth department, into semifinished form in the rolling mills, and finished the steel according to detailed contract specifications in the machine shop. Some of its products were mounted in cast-iron frames; hence there was need for an iron foundry.

¹ Fictitious name.

In 1920 the open-hearth department ran on two 12-hour shifts, the rolling mills on three 8-hour shifts, the foundry on one shift of approximately 10 hours, and the machine shop on one shift of 9 hours a day. These working schedules were prevalent at that time in departments doing analogous work elsewhere. In all these departments cranemen were employed.

Cranemen's wages ranged between 50 cents and 55 cents an hour; their duties were as follows: Cranemen in the open-hearth department operated several types of cranes, used around the furnaces for handling ladles, slag, and raw materials. The capacity of the cranes varied from 5 to 100 tons. A majority were electrically driven. The large cranes were used over the pit at the back of the furnaces to handle ladles of molten metal tapped from the furnaces. These ladles were carried over ingot molds and the molten metal was "teemed" or drained into the small openings of the molds beneath. The cranes in this department also removed slag residue, placed molds preparatory to casting, and loaded cast ingots on small railroad cars.

The skill and experience required in this work varied on account of the different types and sizes of cranes in use and the work they performed. Some of the work was done under conditions of extreme heat. The hazards of the occupation, formerly great, had been reduced by safety devices and protectors against heat and electrocution. Much of this work was performed by young men about 20 years of age. Their quickness of mind and body fitted them to operate the cranes successfully. Some of the cranemen were able to repair their cranes; they were paid several cents more per hour than the ordinary cranemen.

In the rolling mills cranes were used chiefly to handle rolls and to transport the finished product to the storage yard. A pair of locomotive cranes assisted the overhead cranes in this department. The cranes were electrically driven and of small capacity.

The operation of these smaller cranes did not require a high degree of skill or long experience. The cranes could be operated by young men after a few days' training; cranes were not used continuously in this department. Cranemen were required to be in their cabs, however, during their shift. The principal hazards were electric burns or shocks and the risk of becoming caught in crane gears.

The cranes in the foundry aided in teeming iron into large molds used for forming heavy castings. They were used also to remove large castings from the molding sand and to transport them to railroad cars. The molders left the foundry after pouring was completed, but the laborers and cranemen remained to clean up and to remove castings from the molding sand. The cranemen's work here was intermittent, also.

The cranemen in the large machine shop placed heavy castings and forgings in the machines and removed the finished pieces after the machining operations were completed. This work was exacting; cranemen had to be accurate in high degree and quick in manipulating the crane controls. On this task a careless or unskillful craneman would cause costly damage to equipment and finished stock. The value of a craneman increased as he gained practice with his crane.

It was necessary to have reliable cranemen available to fill vacancies in the more responsible positions, particularly in the open-hearth and machine-shop departments. The company had followed the practice of filling such vacancies by transferring men from the less exacting positions. No difficulties had attended the transfer of men from a department working 8 hours to a department working longer hours, or from a 10-hour department to a 12-hour department. Objections were raised, however, by men who were asked to transfer from a department working on 12-hour shifts to a department working 10 hours daily.

Two specific cases arose in 1920 that illustrated the difficulty mentioned. A craneman who had been earning \$5 a day in the foundry, or 50 cents an hour, was transferred to the rolling mill. In his new position he earned \$4, since his hourly rate was not changed. He left the employ of the company for another position paying him \$4.50 for a nine-hour day. A second craneman, having an excellent record, was asked to transfer from the open-hearth department, where he was earning \$6.60 a day, or 55 cents an hour, to the machine shop, where he had a prospect of earning \$4.95 a day. He informed the shop superintendent that he could obtain work with another steel company in its open-hearth department, where he could earn his old wage of \$6.60 a working day of 12 hours. He was willing to stay with the Tioga Steel Corporation if he was not transferred from the open-hearth

department. He was allowed to stay in that department, even though the company wanted to have his services in the machine shop.

The manager wished to establish some policy that would render advancement of cranemen to exacting positions attractive, yet which would be fair to cranemen already in those positions and which would not be unduly expensive to the company.

COMMENTARY: Obviously, reassignments having the effect of promotions should not be regarded as hardships by the workmen concerned. In this case, on account of the different departmental time schedules some reassignments of cranemen resulted in a reduction of daily earnings, and were not acceptable to the transferred men.

Of the earnings on the several positions, those in the machine shop would cause the most difficulty in arranging promotions. This rate for cranemen in the machine shop might well have been advanced five or more cents a day. The increased earnings would have had an incentive value that probably would have justified the slight increase in labor cost.

Under the facts outlined in the case, a man transferred to the machine shop from the open-hearth department would have received \$1.65 less a day as a result; a man transferred to the machine shop from the foundry would have received approximately the same wages after the transfer as before it, yet the position in the machine shop was more exacting. The reduction in hours is not to be overlooked, nor, however, is the fact that some employees are more concerned with daily earnings than with daily work schedules. Therefore, whenever cranemen of approximately equal ability were available for transfer it would have been worth while to learn of their desires as regards daily working hours. For example, a shift from the open-hearth department, operating 12 hours daily, to the machine shop, operating 9 hours, might have been desirable to one man, in view of the shorter working day, but might have been unacceptable to another on account of the reduction of daily wages imposed, since his hourly rate was not changed by transfer.

So far as possible, men should have been transferred from the foundry to fill openings in the open-hearth department; so far as possible, men should have been transferred from the rolling mill to fill openings in the machine shop. Little difficulty would have been involved in transferring men from the rolling mill to the foundry. Shifts to more responsible work under this arrangement would not have imposed wage reductions nor have caused pronounced changes in the number of hours worked daily. This suggestion for making the needed changes in the system of transfer is illustrated in the following diagram:

	Short-Shift Departments	Long-Shift Departments
More Responsible Positions	Machine Shop 9 hours at 55 cents, \$4.95 ↑	Open Hearth 12 hours at 55 cents, \$6.60 ↑
Less Responsible Positions	Rolling Mill 8 hours at 50 cents, \$4 ↑	Foundry 10 hours at 50 cents, \$5 ↑
	Hired from Outside	Hired from Outside

According to this plan, the living arrangements of the employees involved would not have had to be modified greatly.

October, 1926

J. W. R.

GREY & BROWN MACHINE WORKS¹

MANUFACTURER—MACHINERY

CURTAILMENT OF WORK FORCE—*Layoff Preferred to Overmanning and Division of Work.* A manufacturing department's request that its members be divided into squads which alternately would be idle one week, as a method preferable to layoff to accomplish a reduction of producing capacity, was declined by the manager because the work in the department was unstandardized, and he wished to center responsibility for each job upon the individual to whom it originally was assigned.

(1920-1921)

After the company had announced a contemplated reduction of its force by layoff and discharge, it departed from that rule in one department by allotting the available work there among all the employees on the pay roll of the department. Representatives from a second department, doing unstandardized work, asked that the same scheme of short time for all hands be applied to it also.

The company manufactured machines in a city of 150,000 inhabitants which was a metal-working center. The machinery made by the company was not of a complicated character. Repudiations of orders and failure to secure new business caused the company in the fall of 1920 to reduce the operations of its plant to four days a week. As the orders on the company's books declined during the following month, the managers decided to curtail the work force, even though the plant continued to operate but four days a week.

The superintendent announced to the works council the contemplated reduction in the working force and stated the reasons for that step. He stated that "employees shall be retained on the active pay roll in the order of their relative efficiency and their value to the company. Between employees of the same grade, length of service and domestic responsibility shall determine the men to be laid off or discharged."

This general principle was not followed, however, in Department C, which was made up of about 100 skilled employees. A large number of the men in that department had had more than

¹ Fictitious name.

five years of service with the company. In view of that fact, and also because of the importance of Department C to the success of the company, the company decided to "spread the work around" in that department. In Department C, therefore, it was ordered that one-quarter of the men were to remain idle each week and that the rest of the men would work the four days that the factory was running. The force in that department was divided into four groups by the foreman, and these groups alternated in taking a week of idleness. Much of the work done by that department had been standardized.

When this arrangement became known throughout the works, a delegation from the toolroom called on the superintendent, requesting that, in the toolroom, layoff of workers according to the posted bulletin be discontinued. The delegation asked that work in the toolroom be divided among all the employees and referred to the arrangement that had been made in Department C. Most of the men in the toolroom were highly skilled machinists. The toolroom force also included a number of apprentices. The workmen in the toolroom made and repaired dies and attachments for machinery in the plant. They also made models of new products before these were turned over to the factory for manufacture in quantities. In the toolroom it had been customary to assign work to individuals who then were held responsible for the completion of their assignments.

Under the plan proposed by the toolroom delegation, it no longer would have been possible to center responsibility for a given job upon one man. The superintendent declined the request of the toolroom delegation because work there was creative in nature and not standardized. He thought it undesirable that one man should finish the work of another.

COMMENTARY: The decision in this case seems to have paid undue attention to immediate cost and insufficient attention to labor goodwill.

It may be assumed that the unsatisfactory workers employed prior to this time on account of the labor shortage of 1919-1920 were to be released by the company when its orders declined. The company then could have distributed work in the toolroom among the employees who still remained. This could have been done without dividing responsibility for specific jobs. To be sure, the effort would have necessitated some additional administrative labor, but it would have had a favor-

able influence upon employee goodwill. The foreman in that department, under such a plan, would have assigned jobs so that workers each month would have had approximately equal employment.

In view of the existing situation, it is unlikely that under the equal allotment of work scheme there would have been noticeable slackening of effort by individuals so as to prolong jobs in hand. Certainly, such efforts would have jeopardized the employment of any workers who tried them. The endeavor to divide available work among employees in an overmanned department during a period of business depression should be explained to the entire force in that department. The spirit of fairness then can be depended upon to prevent the abuse of the plan and to promote its success.

January, 1927

J. W. R.

FELTON COMPANY¹

MANUFACTURER—MACHINERY

OUTPUT CONTROL—*Curtailment of Work Force in Adjusting Rate of Output to Business Inactivity.* When a period of decreasing demand for its output of large installation machinery seemed imminent, a manufacturing company considered the following policies for adjusting its work force to declines in the rate of output: (1) manufacturing for stock with the full number of employees; (2) limiting production to fill expected orders, with curtailed work force; (3) operating two or three days each week; (4) decreasing wages as sales and profits fell off; (5) stressing sales at low prices during depressions; (6) adding other lines of product for sale during depressions. The decision was to reduce the force according to needs for prospective sales.

(1923-1924)

In the depression of 1921, the Felton Company gradually had discharged men until the production department numbered about 60 workers. In the latter part of 1923, a force of 400 men was maintained, although in the opinion of the production manager, the current outlook for sales did not justify the maintenance of a force of more than 150 men. He considered various methods of adjusting his manufacturing program to decreases in demand. His chief concern was the policy to be followed in curtailing the work force.

Located in a large New England town, the Felton Company manufactured medium-weight and heavy machine tools. Railroads purchased from 85% to 90% of the company's output; industrial plants constituted the market for the remainder.

The Felton Company was owned by an organization which distributed the products of approximately 100 American manufacturers, among whose products were machines complementary to those manufactured by the Felton Company. The company's plant represented an investment of about \$3,000,000. Annual sales averaged 115 machines, having a total sales value of \$2,500,000. Usually, three machines per month cost \$15,000 each to manufacture, and each sold for about \$24,000. The remainder of the production comprised machines which cost from \$5,000 to \$15,000 to build, and sold at an average of \$22,000 each.

¹ Fictitious name.

Material represented about 25% and labor about 50% of total finished production costs. By reason of its high credit standing, the company could produce for stock for a relatively long time without making any sales. Sales were not subject to seasonal variation; they did, however, fluctuate as the result of changes in general business conditions. The company was among the first to be influenced by business depression, and one of the last to recover.

In marketing the less expensive machines, the Felton Company had to meet keen competition. There was much less competition in selling its higher-priced products. Only two other American companies, one in Ohio and one in Pennsylvania, manufactured competing high-priced machinery. Those companies, however, were nearer the plants of users of the products.

Eighty-five per cent of the men employed in the production department were expert machinists, while the remaining 15% were apprentices and helpers. Average wages of the company's employees were slightly higher than those paid by other manufacturers in the same town. In times of prosperity, however, the other manufacturers bid competitively to secure workmen. A high grade of workmanship was required in the Felton Company's plant. Many workers, though they claimed to be machinists, were found to be unsatisfactory because they were unable to do precision work.

The men engaged in supervisory work were paid salaries, but the machinists received a standard daily wage and a bonus estimated on a time basis. Time studies were made to determine how many hours should be consumed in the completion of tasks. If an employee finished a task in less than the allowed time, the company divided evenly with him the value of the time saved. Except as a last resort, the company never reduced the wages of its employees. About 200 of the men normally employed in the production department owned their homes in the town. Approximately two-fifths of the normal working force could be classed as transients. Not far distant was a medium-sized city containing many machinery factories.

The production manager of the Felton Company considered six general solutions of the labor employment problem which arose in times of business inactivity such as that beginning late in 1923. These were: to manufacture for stock with the full

number of employees; to limit production in conformance to expected sales, operating the curtailed force the normal number of hours weekly; to operate the production department for only two or three days in each week, thus giving part-time employment to a larger proportion of the normal labor force; to decrease wages as sales and profits diminished; to encourage the railroads to increase their purchases in times of depression when prices were lowest; to manufacture other machine products which might be sold during the times when sales of the standard product had declined.

Ninety per cent of the machines produced by the company were built to its own standard specifications, and the remaining 10% were constructed according to the customer's demands. Formerly the designs of its machines produced for railroad shops had changed slowly, but in the 10 years prior to 1923 there had been a number of changes in design. There was a possibility, therefore, that machines produced for stock by the Felton Company during periods of business inactivity might become obsolete before business revived. On the other hand, the manufacturer who could deliver quickly had an advantage in securing orders for machines from the railroad companies. Those orders ordinarily were not placed until appropriations had been granted by the railroad officials. Usually an appreciable length of time elapsed between the request for an appropriation and its confirmation. When appropriations were granted, therefore, the railroad shop executives desired the equipment delivered promptly.

If it adopted the second plan and limited production to probable sales and discharged machinists as soon as their services were no longer needed, the company could reduce expenses during such periods to a minimum. Such a policy, however, would create ill will on the part of the employees of the production department, particularly among those men who had homes and families in the town. Furthermore, the company's experience had been that the lower efficiency of new men and the cost of training them made it almost as expensive to rebuild a production staff as to employ the staff during periods of depression.

The company could cut its costs materially, however, by reducing its working hours and operating the plant only during two or three days of each week. If this policy were followed, overhead costs per unit of product could not be reduced as much as under

the second plan. In turning out a given volume of production in a stated period, it would be more expensive to operate a large force irregularly than a small force steadily.

The manager considered but did not favor ordering a reduction in wages and then manufacturing to stock. From its experience in the few instances in which this had been done, the company had learned that the policy created almost as much ill will on the part of the workers as a drastic discharge policy. Under such wage reductions many workers had quit the company's employ to seek employment elsewhere.

The sales department might be able to induce railroads to increase their purchases during the times of depression, because lowest prices then were quoted. At such times, however, all but the strongest railroads usually wished to use their revenues to meet operating expenses and fixed charges. The average length of life of the two machines which constituted the major portion of the total production of the company was estimated to be 15 years and 25 years, respectively. A railroad shop could continue to use these machines beyond their normal period of usefulness; this was the customary procedure when prosperity was declining. Furthermore, since the railroads' purchases usually were made by specific appropriations, early success in influencing railroad purchasing departments to increase their orders during periods of depression seemed unlikely.

Although the sales of the Felton Company fluctuated with general business conditions, the sales of some other machine and tool industries did not. If the company were to attempt to diversify its line to prevent sharp fluctuations in total business volume, the company would have to purchase new machinery, develop new designs, train shop employees in new processes, and train its sales organization to distribute the supplementary products.

In order to reduce expenses to a minimum and at the same time show a consideration for the workers during periods of inactivity, the production manager late in 1923 decided upon the following plan to be made operative if a period of business depression should set in. The personnel of the production department was to be reduced by two-fifths after three months. The men to be discharged at that time were members of the transient group. The remaining work force was to be reduced by one-third at the

end of six months after the beginning of a pronounced period of business inactivity. Thereafter, the company was to continue reducing the number of employees if the business depression deepened. Seniority in service was to govern retention of employees at this time. In this way, the Felton Company would continue to employ the best workers in a period of depression; it would minimize the labor cost element per unit of product, yet it would not summarily dismiss a majority of its long-service employees. The production manager planned to operate the reduced force as regularly as possible; that is, he planned to afford employees on the pay roll, whatever their number, a normal working week at all times.

COMMENTARY: The problems of expanding and curtailing the work force of this company were similar to those outlined in the case of another company which also manufactured capital equipment.² The Felton Company could manufacture to stock because of its standardized and durable product,³ the product's small obsolescence risk, the stabilized wage situation,⁴ and the company's strong financial position.

The chief question was that of deciding upon the scale of operations. The major factors involved were the prospective sales, the cost and risks of carrying finished machines, the losses incident to labor turnover, and the probable changes in the prices of raw material and of labor.

From the figures presented in the case, one may estimate the cost of assumed manufacturing programs during the years 1924, 1925, 1926. The cost of the typical machine made may be taken to have been \$15,000. On this basis the company's normal annual wage bill was approximately \$860,000. This figure, divided by \$1,800, the assumed annual earnings of an employee, yields 470 men as the work force which could produce 115 machines yearly. The company may be assumed to have reached a stabilized condition. Three hundred machines, therefore, is a conservative estimate of the sales to be made in the 3-year period under consideration.

The first budget which follows is constructed with a view to an improving sales situation during the period. The budget provides for production geared closely to sales. The second budget relates to the same sales situation but plans for a uniform rate of production.

Under the assumptions made, these calculations do not indicate that

² Compare Peters Company, page 74.

³ For policies adopted by a company making special orders only, compare Mandeville Shoe Company, 1 H.B.R. 150; commentary, 2 H.B.R. 425.

⁴ Compare Dunker Motors Company, 1 H.B.R. 147; commentary, 2 H.B.R. 424.

BUDGET 1

Year	Machines Made and Sold	Number of Workmen	WAGES		Cost of Training New Men	Total Labor Expense
			Experienced Men	New Men		
1924	60	240	\$432,000	.....	.....	\$ 432,000
1925	100	400	432,000	\$288,000	\$48,000*	768,000
1926	140	560	720,000	288,000	48,000	1,056,000

Year	Total Labor	Overhead Expense†	Materials‡	Total Cost
1924	\$ 432,000	\$400,000	\$225,000	\$1,057,000
1925	768,000	420,000	375,000	1,563,000
1926	1,056,000	440,000	525,000	2,021,000
				<u>\$4,641,000</u>

*Hiring and training cost is estimated here to have been \$300 per man.

†Overhead expense, when normal output was produced, made up 25% of total cost. If total cost had been \$1,725,000 ($115 \times \$15,000$) overhead expense would have been \$431,000. On account of the large investment in plant, most of the Felton Company's overhead expense was fixed. The variation shown in the budgets is to reflect this condition.

‡The cost of raw materials per machine is assumed to have been \$3,750.

production a year or more ahead of anticipated sales would be advantageous from a cost standpoint. Such a policy, however, would afford the Felton employees, other than transients, reasonably steady employment, an obligation of the progressive employer.

Although \$300 may be a satisfactory estimate of the cost to the Felton Company of obtaining a skilled worker, that figure does not include a per capita share of the costs involved in reorganizing its work force. The reorganizations involved in the Felton Company's production policy would add such costs—the costs of establishing intelligent and efficient working relationships between many individuals—to the training costs of a technical nature, which are incurred in any event when an employee is hired by a company making a special product by distinctive methods. Budget 1, therefore, does not attempt to present the total cost of labor turnover under the plan of producing practically upon order rather than for stock.

The wage cost under Budget 2 is probably excessive. If the produc-

BUDGET 2

Year	Machines Made	Machines Sold	Number of Workmen	Wages Paid	Overhead Expense	Material	Carrying Charges Unsold Machines†	Total Cost
1924	100	60	400	\$720,000	\$420,000	\$375,000	.....	\$1,515,000
1925	100	100	400*	720,000*	420,000	375,000	\$36,360	1,551,360
1926	100	140	400*	720,000*	420,000	375,000	36,360	1,551,360
								<u>\$4,617,720</u>

*These figures probably are excessive.

†Six per cent per annum of the cost of machines in stock.

tion program were stabilized, we could assume that fewer workmen would be needed in 1925 to produce the same number of machines turned out in 1924. This result would be brought about by improved methods, more positive supervision, and increased labor efficiency.

The company's wage plan did not hold forth a strong incentive for increased output. Even had it done so, the conditions of irregular production would have induced workmen to retard their efforts so as to prolong the work in hand. It is evident that the work of the production executives in this company was difficult.

The unqualified statement that prospects for the sale of the company's products justified a force of only 150 men probably referred to the immediate outlook. The manager looked further ahead in deciding upon his manufacturing program.

The work force was predominantly a skilled group. Skilled workers do not move quickly from one labor market to another even though the differential between the markets is considerable. A second long layoff within four years would have caused the Felton Company's skilled employees to look about for other employment opportunities. Those who found and accepted such opportunities would have been lost permanently to this company. It would have had difficulty in finding other workers to replace them.

In the absence of further information, the three months' postponement of the release of the transient workers in this plant does not appear a justifiable step. Less delay in the matter would have benefited the workers with long service records.

The situation existing in late 1923 was unlikely to be remedied by any attempt to diversify products. The business was technical in nature and, presumably, new products also would have been technical in character. Ordinarily, the development of such products and their sale upon a favorable competitive basis is a task lasting several years.

This effort to diversify products should have been given careful consideration by the Felton Company in its endeavor to regularize employment in its plant. Perhaps of more promise would have been the development of new designs in anticipation of a depression. By introducing these designs in a period of dull business the company could have stimulated demand for its products. Finally, the Felton executives should have attempted to have the holding company transfer to their plant the manufacture of some other machinery which the holding company distributed and which was sold more readily than Felton machines during depression periods. Any transfer of this kind, if economical and practicable from the standpoint of the general organization, would improve producing and employment conditions at the Felton works.

July, 1926

J. W. R.

AUSTIN COMPANY¹

MANUFACTURER

DEMOTION—*Results of—Demoralization of Individuals Affected.* Because of curtailment of its force in a business depression, the company demoted a foreman and two "leading hands," whom it wished to retain as employees, to their former positions as members of the rank and file. After demotion, these men became insubordinate and overindulgent in intoxicants. These cases caused the company to question whether it could demote supervisors in an effort to retain them during a business depression.

(1920)

Lack of orders in the summer of 1920 caused the Austin Company to curtail its work force. The company demoted a foreman and two "leading hands" to their former positions as ordinary workmen. After demotion these men became insubordinate; they also overindulged in intoxicants. Their behavior caused the company to question whether it could demote officials in an effort to retain them in a period of business depression.

Hamel, the foreman in this case, had been hired in 1916. Soon after his employment he had attracted the favorable attention of his foreman and superintendent. After some months he was promoted to the position of leading hand, and in the summer of 1919 he was advanced to a foremanship. His service as a mechanic, leading hand, and foreman had been satisfactory.

When the company had to curtail its force in the summer of 1920 as a consequence of the falling off in the volume of its business, the executives wished to retain as many members of the supervisory organization as possible. It happened that the department which then was in the charge of Hamel was discontinued, and Hamel no longer had an organization to supervise. In August, 1920, the superintendent reassigned him to the department from which he had been promoted. He was given a mechanic's rating.

Toward the end of the summer, the labor manager learned that there was friction in that department. Hamel frequently had arguments with the foreman, whose name was West. Hamel's

¹ Fictitious name.

attendance had become irregular; he had assumed liberties which were not permitted to other workmen, and he had reported for work in a mildly intoxicated condition on several occasions.

In October, West complained of Hamel and said that Hamel was demoralizing the department. This complaint was made to the superintendent, who requested the labor manager to have a conference with West and Hamel severally and endeavor to adjust the difficulty. In the conference with Hamel, the labor manager was told by Hamel that West was giving him a "raw deal." Hamel was able to make only one specific charge: on one occasion when West sent him to do some work in another part of the plant, West sent another man after Hamel to find out whether Hamel was attending to his task. This, Hamel said, was proof of the foreman's determination to victimize him.

The labor manager could not agree with Hamel's views and advised him to forget about his demotion, which probably was a temporary matter, and to "get down to business." The labor manager then had a conference with West and asked West to use more tact in dealing with Hamel in view of Hamel's demotion. Two weeks after these interviews, Hamel appeared for work in an intoxicated condition. When West assigned a job to him, Hamel, in the presence of the whole shop, told West to "go to hell," and threatened West with violence. West then discharged Hamel.

In January, 1921, the superintendent informed the employment manager that there was more trouble in West's department. Two men, who formerly had been leading hands and then had been reduced to the ranks as a result of the business depression, were having constant arguments and disputes with West. Several times one of them had reported for work in an intoxicated condition. The superintendent recognized that the policy of demoting men from positions of authority in order to retain them at reduced wages during a business depression had not been successful.

COMMENTARY: This case of demotion is to be distinguished from those demotions in which questions of incompetency, discipline, or superannuation have arisen. The company wished to retain several under-executives during a period of depression and demoted them to the ranks. In so doing, it subjected them to a difficult ordeal.

The opportunity to rise in the estimate of one's fellows is a powerful incentive, whereas an actual reduction in status is a blow to self-esteem that few can withstand. The use of intoxicants by Hamel and the one leading hand probably was nothing more than an effort on their part to forget their demotions—an effort to get away temporarily from wounded self-respect. Demotion is almost sure to demoralize an ambitious man with temper who is asked to continue in the same section of an organization.

Demotions that have been made successfully have been accomplished by transferring the individuals to other sections of the organization, preferably to other localities, and by temporary assignments to work which had no established relation to the former supervisory position. A demotion accompanied by transfer to another section of the organization is bearable because associates there are thought to be ignorant of the circumstances. Personal pride can be retained.

An assignment to special work is necessary when the individual must continue to work in the same plant. It may be possible to ask a mechanic such as Hamel to engage in special technical research, to spend time in staff departments for his own improvement, or to become a member of a group of junior executives who are transferred from one department to another, ostensibly for the purpose of learning the technical operations in various parts of the works. In any of these cases the transition is not recognizable as demotion, even though a downward salary revision may be imposed. These special arrangements really serve to maintain self-respect because they indicate that the company estimates highly the individual worth of the persons transferred.

The Austin Company, at the time of reorganizing its force in the summer of 1920, should have decided upon the under-executives whom it wished to retain permanently. It then should have recognized that it could not demote those individuals openly, but would have to count on paying the cost of temporary arrangements that would maintain their self-respect.

February, 1926

J. W. R.

PETERS COMPANY¹

MANUFACTURER—STREET CARS

HIRING—*Preventing Reemployment of Unsatisfactory Workers.* A company, whose business was subject to cyclical fluctuation, rehired many former employees whenever it expanded its work force. Two men rehired at such a time denounced the foremen under whom they had worked previously in other parts of the plant. The company wished to prevent similar occurrences thereafter, because of their effect upon morale.

(1921)

In February, 1921, the plant manager of the Peters Company sent a note to the employment bureau which read as follows:

Two cases have come to my attention of men rehired by this company into departments other than the ones in which they were employed previously. In itself this is not a matter for criticism, and may be the proper thing to do. In the two cases in point, however, the men on a number of occasions made slighting remarks to their fellows about the foremen that they used to work for. Talk of this kind in our plant is highly undesirable. It has a bad effect upon the leadership and discipline that the foremen are expected to maintain. Conduct on the part of rehired people such as that displayed by the men in the two cases mentioned will stir up dissatisfaction with superiors and will align foreman against foreman. Will you take such steps as may be necessary to prevent similar conduct in the future?

The Peters Company was located in a large eastern city of diversified industries. The company manufactured cars for electric railways, and when operating normally it employed 1,200 men. The company's business was a fluctuating one, necessitating layoffs and discharges at one time and requiring increases in the work force at another time. There were several reasons for the fluctuations in the company's business.

It was uneconomical to manufacture cars to stock, a major objection being the cost of keeping fabricated street cars on hand. More important, however, were the varying types and styles of cars that customers demanded. Operating conditions necessitated special construction of trucks and motors at times. Roadbed, curves, grades, and power potential were given careful consideration in drawing up specifications for cars. The type

¹ Fictitious name.

of passengers hauled, the seating capacity of the cars, and the climate in which the cars were used had a bearing upon the car-frame and body design. Municipal ordinances specified certain requirements. Some purchasers wished new cars to match those already in use on their systems; other purchasers had prepared their own designs and specifications and wished cars built according to their plans. In the hope that it could reduce the number of patterns of cars that it was being required to manufacture, the Peters Company in 1915 constructed a half-dozen sample cars designed for various types of service and operating conditions. In the two years immediately following, not one of the samples was duplicated, and then the company modified them in order to sell them.

Orders for electric-railway equipment followed the general trend of business prosperity. Exceptional cases occurred when a financial reorganization afforded additional working capital to a company and enabled it to buy cars during a period of business depression. The demand of car riders was for transportation to and from work, shopping centers, and places of amusement. Business depression resulted in a sharp reduction of traffic hauled by a street railway, and, since it was a business having a high ratio of fixed charges, a street railway's working capital in such a period was required for operating costs and fixed charges; funds were not available then for purchase of rolling stock.

The Peters Company had endeavored to secure orders in "slack" periods by aiding in the financing of car purchases. For example, it had taken the commercial paper of purchasers, endorsed the paper, retained a lien on the cars, and then marketed the paper to investors. That method of obtaining business, however, had serious costs and risks, and the Peters Company did not favor it.

Plants manufacturing street cars found it difficult to engage in side lines that would keep their employees occupied when orders were not on hand. Those companies employed woodworkers, metal workers, upholsterers, electrical workers, molders, and a number of other craftsmen. Contracts for jobbing work tied up the company's productive equipment in the production of side lines; the company then was not free to engage in its regular business to the limit of its capacity when orders again were received. Orders to street-car manufacturers often specified

a completion date. Side lines were not remunerative; in that business the company made products unfamiliar to it and sold them in competition with specialty manufacturers.

The company's foundry had been put upon jobbing work during periods of depression prior to 1920. In the rest of the plant, however, the situation was otherwise; men were released when orders could not be obtained, and men were hired when business was secured. In 1916 the company had established an employment bureau to act for the plant in the matter of hiring and layoff and to maintain records of labor.

Prior to 1916 the foremen had hired their subordinates. When labor had been scarce, foremen had bid against one another for men within the organization. A foreman, seeing a good mechanic in another department, would approach him after hours, and offer him an increase in wages to quit the department in which he was working and then to apply for work in the foreman's department. Men who were unsatisfactory had been discharged in one department and shortly thereafter had obtained work under another foreman elsewhere in the plant. The chief reason for establishing the employment bureau, however, had been the company's difficulty in procuring help in 1916, when its plant was making munitions for foreign governments.

In 1921, the time of this case, the procedure in hiring a man was as follows: applicants at the gate were surveyed by the employment manager and the best prospects were asked inside the employment office for an interview. These, together with men that the employment manager had procured after consulting his records of former employees, were sent to foremen needing workers. The foremen selected the men they wanted, and the employment bureau made out the papers necessary for purposes of record. At times the employment manager advertised for workers, but he did not favor that method of attracting labor. He hesitated to ask men in the shop to recommend others for employment because he feared the formation of "cliques." The "application for employment" form asked 20 questions regarding personal matters and experience. One question was: "Were you ever employed here before? If so, when?"

When a man left the employ of the company, either on account of resignation, discharge, or layoff, the foreman sent a notice to the employment bureau giving the man's name, check number,

occupation, and the date and time when the release was to be effective. The latter information was important chiefly to the accounting or pay roll departments, so that they could prepare the man's pay voucher. In addition to the above, the foreman was asked to answer the following questions:

Would you rehire this worker in the future?

Why is this release necessary? Check reason or give details.

Underneath this question were listed the following standardized reasons for release:

QUITS	DISCHARGES	LAYOFFS
Wages	Incompetent	Reduction of force
Hours	Lazy	Temporarily employed
Working conditions	Careless	Physical reasons
Health	Insubordinate	
Monotony	Bad habits	
Removal of family	Unreliable	
from city	Misconduct	
Housing	Agitator	
TRANSFERS	MISCELLANEOUS	REASONS NOT LISTED
Promoted	Chronic illness	
Not adapted to job	Disabling accident	
Health	Decease	
Needed elsewhere	Marriage (women)	
	Superannuated	

The employment bureau had to devise a method of rehiring men that would prevent the trouble referred to by the plant manager.

COMMENTARY: Without the aid of the line organization, the employment bureau could not have solved this problem. The foremen should have been made to realize that a man leaving the company's employ would remain a potential employee and, therefore, was to be given a careful rating upon the discharge slip.

The employment bureau should have investigated the cases of the two men whose comments caused the manager's note to be written, and should have found out whether the foremen under whom these men worked previously had filled out discharge slips properly when the men completed their former terms of employment. If those discharge slips were improperly filled out, additional points could have been given to a manager's bulletin on the subject. But that bulletin should have been issued whatever the results of the investigation of these cases. The bulletin, addressed to other executives, should have stressed the importance of a careful rating at the time employees left the company's service.

In order to operate effectively, the employment bureau should have maintained files containing the names and records of men previously employed. It should have referred to those records when hiring employees. In the cases of men found to have been employed formerly, the employment bureau should have called by telephone the supervisors under whom the men had worked and verified its records, or it could have sent those applicants to the supervisors for interview. The thing desired in reemployment procedure is the supervisor's opinion of the applicant.

A question of detail brought up by this problem is whether the discharge slip should contain standardized reasons for terminating employment. A well-devised list of these reasons is suggestive to the foreman, and is an aid in making analyses of the turnover problem. Such a list, however, may be used carelessly by supervisors. For instance, special reasons for leaving may not be recorded if they are not included on the list and the supervisor relies wholly on the listed reasons. This danger may be guarded against by having the employment bureau verify, in an interview with the discharged employee, the reasons for separation stated by the immediate superior.

In the use of ratings made at the time of discharge or resignation, it is well to remember that at such times the feelings of either party may overcome his judgment. The foreman's rating may be unjustly harsh as a result of a quarrel at the time with the workman; the rating may be unduly lenient if the foreman does not wish to place a black mark on a departing employee's record, which is referred to by the employment bureau in answering reference requests from other employers. An opportunity should be given a foreman to revise or confirm any notation on a discharge slip, when the workman involved seeks reemployment.

February, 1926

J. W. R.

RUTHWELL WOOLEN MILLS¹

MANUFACTURER—WOOLENS AND WORSTEDS

HIRING—*Action to Be Taken on Request for Reemployment.* Because of their excellence as workers, a group of seven girls were retained during a business depression by transferring them temporarily from one mill to another. They objected when reassigned to their regular workplace, and thereafter their morale was poor. One of the group, discharged for inattention to duty, asked to be rehired in the department in which she had worked temporarily, where working conditions were more attractive. The superintendent had to decide whether to grant her request.

(1919)

During a period of curtailed output the Ruthwell Woolen Mills retained a group of seven girls by transferring them temporarily from one mill to another. They objected when reassigned to their regular workplace, and thereafter their morale was poor. One of the group, discharged for inattention to duty, asked to be rehired in the department in which she had worked temporarily.

During the World War, the Ruthwell Woolen Mills were working at capacity on highly specialized work for the War Department. Upon the signing of the armistice, the War Department canceled contracts and gave notice that in a short time all work on textiles for war purposes would cease. In December, 1918, the Ruthwell Woolen Mills reduced their production to about 50% of the schedule in effect in October and laid off a number of their employees. In reducing the force the company considered productive efficiency, length of service, and number of dependents.

The Ruthwell Woolen Mills had two adjacent mills, Plant A and Plant B. At the time of this reduction it was planned to close operations in Plant A. There was a twisting room in each mill. Employees were laid off in both twisting rooms. Only seven of the girls in the twisting room in Plant A were retained on the pay roll. These seven girls were transferred to the twisting room in Plant B. The principal basis for their retention was their productive efficiency. Each of these girls, moreover, had been with the Ruthwell Woolen Mills at least two years, and several were self-supporting.

¹ Fictitious name.

After these girls had spent about six weeks in Plant B, orders began to come in for civilian work. Plant A resumed operations, and the superintendent reassigned the seven girls to their original department. The girls petitioned that they be retained in Plant B. The superintendent believed that there were two reasons for this petition: first, the overseer of the twisting room in Plant B was jovial and a "good mixer," whereas the overseer of the twisting room in Plant A was strict and exacting; second, Plant B was a new building, the twisting room received better light, the machinery was newer, and the comfort arrangements were better in Plant B than in Plant A.

The superintendent informed the girls that their request could not be granted, that the assignment to Plant B had afforded them an income while their fellow workers were out of work, and that the assignment when made was understood to be temporary in nature.

In reassigning these girls to Plant A, the superintendent arranged to have them paid on a daywork basis for one week, so that they could become fully readjusted to the older type of machines there without suffering financial loss. The day rate was based on their average earnings during recent months.

The girls returned to the Plant A department, but appeared indifferent to their tasks. Since this indifference was in contrast to their attitude prior to the transfer, the overseer noticed the change, but he passed it by without comment during the first week. During the second week he saw no improvement. On Friday of the second week every one of the twisting frames in charge of one of the girls, Mary Perkins, stopped on account of "broken ends." This indicated neglect or carelessness, and the overseer warned her that it must not happen again. She listened to the warning in silence. Although not insolent, she did not appear to take the overseer's remarks seriously. On the Wednesday following, the overseer happened to find every one of her frames "down" again on account of broken ends. Miss Perkins was at the drinking fountain chatting with another one of the group of seven girls. The overseer discharged her.

When Miss Perkins went to the office for her wages, she claimed that the overseer in Plant A was unfair and that she was entitled to another chance, not in his department but in the twisting room in Plant B. The superintendent knew that she

had been an excellent worker. He knew of the differences in temperament between the overseers. Both obtained satisfactory production and costs, but did so in different ways. One was painstaking in exercising minute supervision; the other kept people in good humor and placed more responsibility on them for results. The superintendent knew also that Miss Perkins was self-supporting.

The superintendent had to decide whether to act favorably upon Miss Perkins' request for reemployment in the Plant B twisting room.

COMMENTARY: Miss Perkins and her associates, after they had been retained on grounds of merit during a short period of business depression, held an exaggerated opinion of their importance to the company. Their indifferent working attitude after reassignment to their regular department was based upon their assumption that their jobs were secure. Their conduct was an attempt, by direct action, to cause the company to grant their request in order again to obtain from them their best efforts. This case occurred after months of acute labor scarcity brought about by the World War, and these employees probably believed that a condition of labor scarcity was to continue indefinitely.

After Miss Perkins had resorted to direct action in order to gain her ends, the superintendent could not grant her wish. The merits of her request then were confused with the demerits of the method she used to advance it. Favorable action upon the request might have induced others to attempt similar tactics to gain their ends.

Had the superintendent reemployed any of these seven girls in Plant B, the rest of the group probably would have demanded the same adjustment immediately. That reassignment might not have been possible without transferring from Plant B to Plant A some persons who were experienced only upon Plant B twisting machines.

The superintendent should not have interfered with the discharge of Miss Perkins. He should have told her that when she was ready to come back to her regular department and work according to her usual standard, he would take up her request with the overseer and endeavor to obtain the overseer's consent to her reemployment.

The company needed competent operatives in each twisting room; it wanted employee morale in each twisting room to be excellent. Had the manager assigned the seven girls to Plant B permanently on their request, the remaining people in the Plant A twisting room perhaps would have thought that they were there because of lack of merit. The adverse reflection might have been implied by the employees to extend

to other departments in Plant A. The frequent comparison by employees in the Plant A twisting room of their working conditions and those which they believed existed in Plant B would have aroused and maintained resentment against the company. Although the manager would have given satisfaction to these seven girls by granting their request, he also, by that decision, might have placed a drag upon the operating efficiency of the employees in the Plant A twisting room.

June, 1926

J. W. R.

ABSECON MACHINERY COMPANY¹

MANUFACTURER—MACHINERY

HIRING—*Establishment of Employment Department.* Until 1917, the foremen of a company manufacturing machinery hired men as the need for them arose. Although this method was simple and apparently inexpensive, it was unscientific, made no provision for a labor reserve, provided no employment records, and permitted favoritism. The company, therefore, established an employment department to maintain contacts with prospective employees and to select applicants tentatively. Foremen continued to have the deciding voice in hiring individuals in their respective departments.

EMPLOYMENT DEPARTMENT—*Retention of, during Business Depression.* In the period of business depression of 1921, as a means for curtailing expenses, the financial executives of a company manufacturing machinery advocated the discontinuance of its labor department and a return to the company's former policy under which the function of hiring was left to the foremen. That department had served to harmonize the personnel practice in the several departments, it had discriminated between applicants for employment, and had aided in adjusting personnel problems. Hence, the company decided to continue the department in operation.

(1921)

As a means of curtailing its expenses during the business depression of 1921, the Absecon Machinery Company's financial executives suggested discontinuing the employment department.

The Absecon Machinery Company, a manufacturer of machinery, was located in a Massachusetts town in which industry was diversified. The factory, which was fitted with modern equipment, had been expanded between 1914 and 1919 from an employment capacity of 500 workers to one of 1,500 workers. The manufacturing departments were organized not according to the types of machines produced but according to the types of operations performed. Each department had a foreman in charge, whose authority was limited by a general foreman. The company employed three general foremen; these were responsible to the production superintendent. Exhibit 1 lists, by type of work, the number of workers employed by the company in May, 1920, and September, 1921.

¹ Fictitious name.

EXHIBIT I

NUMBER OF EMPLOYEES OF ABSECON MACHINERY COMPANY, BY TYPE
OF WORK, MAY, 1920, AND SEPTEMBER, 1921

TYPE OF WORK	NUMBER OF EMPLOYEES	
	May, 1920	September, 1921
Assembling.....	86	49
Bench.....	65	35
Boxing.....	35	15
Bracket.....	9	5
Drafting.....	21	22
Drills.....	61	31
Engine room and construction.....	37	30
Experimental.....	10	10
Foundry.....	250	166
Frame.....	25	11
Garage.....	10	11
General.....	7	15
Hardening.....	5	4
Inspection.....	56	30
Lathes.....	61	42
Millers.....	41	28
Millwrights and electricians.....	5	8
Movemen.....	13	14
Office and sales.....	139	98
Polishing.....	13	8
Punch press and snag.....	25	16
Repairs.....	8	8
Restaurant.....	6	6
Roadmen.....	19	18
Screw machines.....	75	47
Shipping.....	27	12
Special.....	29	20
Speed lathes and wire job.....	27	13
Stores, worked material, and receiving.....	60	31
Sweepers and helpers.....	23	16
Testing.....	8	6
Tool.....	61	41
Tool crib.....	8	5
Traverse bar bearing.....	12	8
Weave department.....	4	...
Total.....	1,341	879

The company employed skilled, semiskilled, unskilled, and clerical labor. Skilled workers included toolmakers, draftsmen, foundry pattern makers, and men on experimental work. A majority of the workers in all the direct manufacturing departments were semiskilled. These employees generally had received a grammar-school education. They had no intricate operations to perform and needed only to be able to read and to follow the instructions on the instruction cards. Unskilled laborers worked as movemen, sweepers, and helpers. The general office, the domestic-sales office at the plant, and the planning department required clerical help. A spirit of loyalty to the company had developed among its employees, many of whom had been in the company's employ since leaving school.

In times of prosperity, the demand for labor of the types employed by the company exceeded the supply available in the district. During such periods, the company was forced to train men for jobs that required semiskilled workers. The company's experience had shown that lathe or milling machine operators could be taught sufficient proficiency in a month. The employment manager estimated that the cost of training those operators averaged \$125 each. The company's production fluctuated so widely that layoffs and shutdowns for periods of several days were frequent.

Most of the foremen had been with the company for more than eight years. They all had advanced from positions as operators and section hands; most of them had had grammar-school educations. Each was little concerned with the work outside his department; each spent most of his time filling the orders assigned to him and explaining instruction cards to the workers. Each foreman had the assistance of a clerical worker.

Until June, 1917, the foremen had done all the hiring. On mornings that additional workers were needed, one of the general foremen who had a knowledge of all operations performed at the plant had selected at the gate applicants whom he desired to have interviewed. Occasionally other foremen had made this selection. After an applicant had been selected in this way, he was interviewed by the foreman of the department in which he would work if employed. Interviews usually were short and took the form of questions concerning the experience of applicants. If the foreman was satisfied with the applicant, he took his name

and address for pay-roll purposes and immediately put him to work. The company kept no employment records other than those used by the pay-roll department.

There were disadvantages in this method of hiring, however. Hiring was done at an hour when work had to be started and when adjustments pertaining to orders, equipment, and personnel, for which the foremen were needed, had to be made. If those adjustments were pressing, the foreman often cut short an interview and engaged the applicant without obtaining adequate information regarding his qualifications. This resulted in a high labor turnover, because the men engaged often were unfitted for their tasks. The system made no provision for maintaining a labor reserve; many times, the foremen refused to interview applicants because they were not needed at the time. The method resulted in favoritism; the foremen were prone to select relatives and friends or adherents of their own religious creeds. This method of hiring made no provision for ascertaining consistently the previous experience of applicants or for recording information as to labor turnover, qualifications needed for specific tasks, and prospective employees.

In June, 1917, after a period of rapid expansion both in size of plant and orders received, the plant executives of the Absecon Machinery Company had established an employment department. A college graduate who had had no experience in any of the factory departments had organized the department as its manager. Under his direction the department performed the function of hiring, established records of labor turnover, analyzed the various operations of the plant, made up job specifications to aid in the selection of employees, and, in order to be able to answer inquiries of government income tax bureaus, kept records of each worker's wages. To assure fair settlements of accident compensation claims, a representative of the employment office visited injured employees confined to their homes. The foremen had been antagonistic toward the employment manager because he had assumed their prerogatives of hiring and placing. They had not instructed or assisted the men he had assigned to them, particularly if they did not like the workers or if the employment manager's selection had been a poor one. A high labor turnover had resulted from this friction.

In June, 1918, the employment manager had resigned to take

a position elsewhere, and the company had replaced him with a foreman from the toolmaking department. The new employment manager was familiar with all the tasks performed in the factory and was acquainted with all the foremen. He continued the records initiated by his predecessor and conducted the department along the same lines. It was a year and a half before he had overcome the foremen's antagonism toward his department.

In September, 1921, while the company was experiencing a period of severe depression, the financial executives asked the factory to discontinue the employment department, to restore the function of hiring to the foremen, and to incorporate the employment records with those in the time clerk's office. The company was making retrenchments in all auxiliary departments in order to reduce overhead expenses to a minimum. The financial executives were of the opinion that there would be no necessity for building up the company's labor force for some time to come. Upon this point, however, there were differences of opinion among the general executives. They believed further that the foremen were capable of hiring satisfactory semiskilled workers.

Some of the executives urged continuance of the employment department. The department had tended to harmonize labor personnel practice in the several departments. The employment manager's familiarity with the labor situation of the company often made it possible for him to transfer employees released from one department to another department and to place faithful employees in departments where opportunities for personal development and increased earnings were open to them. The employment department relieved foremen of the work formerly involved in selecting employees. While a few of the foremen still believed that hiring was their prerogative, most of them were willing to take men selected by the employment manager. Since the establishment of the employment department, relatives and friends of a foreman never were placed in his department, but under one of the other foremen.

The company decided to continue the employment department. The overhead expenses incident to inefficient hiring and excessive labor turnover under the old method were thought greater than the overhead expense of the employment department. The employment manager, in addition to selecting applicants with discrimination, had adjusted complaints and requests from the

employees. His relations with the foremen were satisfactory. When employment problems were again confronting the company, the employment manager would be present to deal with them effectively.

COMMENTARY: In this company the earlier hiring practice at times was superficial, it did not maintain contacts with prospective employees, it permitted favoritism, and it occupied the time of foremen when other duties required their attention.

An employment department is an ostensible addition to plant overhead; more strictly, it is one form of expenditure which may reduce losses. Improper hiring entails higher training and supervisory costs, and the higher labor turnover resulting from it causes substandard production, idle-machine losses, and waste of materials. These overhead costs usually are not concentrated and conspicuous. Hence, the employment office is viewed as a net additional expenditure.

It is not proposed that the net worth of an employment department can be determined in dollars and cents. The point stressed here is that there are both debit and credit columns, the credit items more difficult to estimate than the debit items. The final decision regarding the economy of a labor department should recognize both sides of the account.

Viewed in one light, hiring is purchasing—the purchasing of labor. Since purchasing methods are adjusted to the conditions of the market, it frequently is urged that an employment department is necessary only when an active demand for labor exists in the community.

This momentary policy for a labor department is untenable after that department has become more than a contracting outpost for labor. In this case, for example, we note that the labor manager adjusted personal difficulties of employees, transferred men to regularize employment, and harmonized personnel practice in the several departments. Such work does not cease when hiring is curtailed.

The proper scope of the Absecon Machinery Company's labor department was not an issue in this case. That the labor department was more than a hiring agency was clear to the production executives, but was not recognized by the financial executives.

The point of this case appears to be that the governing consideration in the continuance of a labor department during a period of business depression is the scope of that department's activity. The crucial question is: Does the labor department deal with internal labor problems to a significant extent, or does it merely act as a hiring bureau?

March, 1926

J. W. R.

VESEY CANDY COMPANY¹

MANUFACTURER—CANDY

EMPLOYEE TRAINING AND EDUCATION—*Discontinuance of Training School.*

A candy manufacturer started a school in which to train girls as candy dippers and packers. Upon promotion from the school the girls were hazed by experienced employees. Because of hazing and increased seasonal demand for workers in the candy industry, the company within a few months lost 60% of the girls trained in the school. As a result, the training school experiment was discontinued.

(1916)

The Vesey Candy Company, established in 1895, was located in Boston. Its plant consisted of 4 buildings which housed a candy factory, a box factory, raw-material stores, and the general offices. The company employed 1,200 factory workers. In 1916 its price list contained over 250 standard lines of boxed and wrapped candy. It sold its wares through wholesalers to retailers.

In 1916 the company's business was growing rapidly. The company began to find difficulty in obtaining labor. When the factory was running at maximum capacity, experienced girls paid on the piece-rate basis did not wish to instruct novices, since they could earn more by doing their regular tasks. In this teaching work girls were paid an hourly rate. They did not object to teaching newcomers when the opportunity to work upon regular tasks was curtailed. In the summer of 1916 the management decided to establish a segregated employees' training school as a trial venture.

Many of the operations in the candy industry required only a slight degree of skill. Women could be trained to do those operations in a day or in less than a week. A few demonstrations by experienced workers were sufficient to impart the technique of the operation; the operative then acquired proficiency through practice. Immigrants had been employed for several decades in the candy business; their wages had been low.

Some of the work, however, was of a skilled character. A candy maker, for example, had to spend years in learning and experimenting with material mixtures and the manipulation of candy in

¹ Fictitious name.

process of manufacture. Fancy box packing was rated as a semi-skilled operation; six weeks to three months were required to learn it and to perform the work with sufficient rapidity to earn the standard rate of weekly wages. The same period was required to become proficient in tying ribbon bows on boxes of high-grade candy. One year was thought necessary to develop a proficient candy dipper. The training of box makers required six months to one year; the length of the period depended upon the quality of the boxes made.

Prior to 1915 the company paid wages on an hourly basis; in that year piece rates, based upon time studies, were introduced. The piece-rate system was put into effect without difficulty. In 1916 the average weekly wage paid by the Vesey Candy Company to women factory employees was between \$18 and \$20.

In accordance with the decision to provide special instruction, two training classes were started, one for box makers and one for candy dippers. Each class contained 25 girls. Experienced operatives were put in charge and were paid liberal salaries. Although the teachers lacked pedagogical experience, their instruction proved so effective that the accustomed apprenticeship period was curtailed.

The classes were not maintained intact in the school for a definite period. When a girl had gained sufficient proficiency, she was listed for transfer to the factory departments. The director of the school waited, however, until several girls were ready to be transferred and then he reassigned the group.

After the novices were transferred to the factory departments, the experienced workers began to haze them. The older workers, it was reported to the manager, thought that the graduates of the class considered themselves superior to those who had not undergone training. No one of the girls that had been trained in the school complained regarding the hazing, yet the management was aware of ill feeling between the two groups.

During the fall months, as was usual, the candy business entered a period of seasonal activity. Other candy manufacturing companies in Boston were bidding for experienced labor. This increased demand was reflected in higher wages and in increased rates of labor turnover. Chiefly on account of the competitive bidding of manufacturers for labor, the Vesey Candy Company

lost 60% of the girls whom it had trained a few months before in the school. The executives regarded the hazing efforts as a contributing cause of the loss of newly trained girls. The company decided to discontinue the formal training experiment.

COMMENTARY: The issue in this case is a frequent one in personnel relations. Persons already in an employment object to the rapid infiltration of newly trained people to work beside them. This opposition is not vicious, but a natural result of thinking in terms of immediate self-interest. From that standpoint, the newcomers render the economic position of the experienced employee less secure. He begins to fear that the additional number of people qualified to do the work he has been doing will cause wages to tend downwards. The "established" employee views the newcomers with apprehension similar to that with which a retailer or manufacturer regards an increase in the number of his competitors.

For many years the candy industry in eastern cities hired and paid low wages to immigrants, the supply of whom was plentiful. Persons in the industry who had a little skill were familiar with the results of a plentiful supply of labor. Naturally, they would react unfavorably toward a training program to increase the number of people to compete directly with them. Another factor which colored the viewpoint of the wage earners in this case was the seasonal nature of the employment. A more plentiful supply of experienced labor, other things being equal, would have resulted in shorter busy seasons and sharper rates of increase and decline in the work force of this candy factory. The result to the individual worker would have been less annual income and greater risk of unemployment.

A second underlying basis for the experienced employees' opposition to the novices in this case is not solely economic, but also social in nature. The experience with the training school demonstrated that workers could be trained in less time than previously was thought necessary. That fact reduced somewhat the pride of the experienced worker in her skill. Skill not only is a barrier to competition; it also represents persistency, effort expended, and mysteries understood. The employer who reduces the period of apprenticeship in an occupation reduces, commensurably, the prestige of the worker engaged in that occupation. Small wonder that some of the employees of the Vesey Candy Company, trained under the former longer methods, looked with disfavor upon the persons who underwent the quicker vestibule school process.

On two foundations, therefore, the experienced workers in this case believed that they had a grievance against the company. As they could

not vent their ire upon the company, they vented it upon the newcomers.

The experienced employees' opposition to the newcomers, which prevented the groups from mingling, probably was the real cause of the newcomers' aloofness, which was interpreted by the other group as an attitude of assumed superiority.

It is impossible to isolate the effects of hazing in this case from the effects of high wages offered by competing employers during a busy season. It is apparent that the investment of this company in employee training was largely lost, because other employers hired its skilled workers at increased wages. Had the training of apprentices been more widespread in the industry, the Vesey Candy Company would not have realized such small advantage from its vestibule school.²

To restrain hazing efforts, a company must try to identify the ring-leaders and warn them that further hazing will be followed by their discharge. Thus the hazing efforts are deprived of leadership and the movement disintegrates. Apart from the removal of leadership, it is necessary to guard against tampering with workers' wearing apparel and workplaces. Employees should have individual lockers in which to keep their clothing. The company may establish a checking room in which employees may keep their lunch parcels until the noon period. The supervisors should be on the lookout before and after work to prevent tampering with novices' machines and supplies of material. Some hazing will occur away from the plant, but that is beyond the company's control.

Segregation of novices in the plant often is uneconomical because experienced workers and equipment would have to be shifted to accomplish it. The isolation of novices also defers their amalgamation with the other employees.

Hazing is largely a product of group feeling. Physical segregation of novices, on the one hand, and the presence of leaders who unify the experienced employees, on the other, create group distinctions and therefore tend to prolong a hazing effort.

February, 1926

J. W. R.

² See Vesey Candy Company, page 93.

VESEY CANDY COMPANY¹

MANUFACTURER—CANDY

EMPLOYEE TRAINING AND EDUCATION—*Training Program Prevented by High Wages and Competition in Localized Center.* A shortage of candy dippers existed in the candy-manufacturing center in which the company was located. Previously, the company had trained candy dippers to meet its needs, but as the shortage developed it lost increasing numbers of its best dippers to other employers, who paid high wages during the industry's busy seasons and did not engage in training programs. The company decided to pay high enough wages to obtain a sufficient number of experienced dippers, but not to place itself at a competitive disadvantage by incurring training costs in addition.

(1924)

During the period from 1920 to 1924, the Vesey Candy Company, of Boston, experienced a falling off in the number of girls employed on hand dipping. A shortage of hand dippers unquestionably existed in the locality. The executives had to decide whether to take positive action to relieve the shortage and, if so, what action for that purpose might prove successful.

Boston was the largest single center of high-grade candy manufacture in the United States. Four of the Vesey Candy Company's largest competitors in the high-grade candy business and numerous smaller candy manufacturers were located in that district. The Vesey Candy Company employed approximately 1,000 workers: 800 in its candy factory and 200 in its box factory.

The company specialized in chocolate-coated confections, of which 25% were hand-dipped and 75% machine-dipped. The hand-dipped candy was sold to consumers at \$1.25 and \$1.50 a pound.

The company's factory manager believed that there were three important reasons for the shortage of candy dippers. In the first place, restrictions recently had been placed upon the immigration of people from southern and eastern Europe. The company employed chiefly Italian and Jewish girls in its chocolate-dipping department. In the second place, many of the company's

¹ Fictitious name.

hand dippers had left its employ in order to go to work in small unit candy stores. These stores manufactured a high-grade candy on the premises, and all such candy was hand-dipped. Employment in a small establishment offered a greater variety of work, a pleasanter working environment, and higher wages, although perhaps slightly longer hours of employment. Finally, the dipping of chocolates by hand was not a clean operation. The dipper had to roll up her sleeves and place her arm up to the elbow into the pot of chocolate. It was difficult to remove the odor of the chocolate when the day's work had been done. For that reason, many girls preferred to work in department stores and factories at a slightly smaller salary per week than was paid by the Vesey Candy Company to its experienced dippers. The situation as regards the shortage of hand dippers was not peculiar to the Vesey Candy Company alone; it affected all manufacturers in the Boston district.

Certain characteristics of high-grade candy distinguished it from that which was dipped by machine. Hand dipping gave a thicker coating and a finer finish to the chocolate. The handsome decoration on the top could not be obtained if the candy was dipped by machine. In recent years, however, the technique of machine dipping gradually had been improved, so that it was becoming more difficult to distinguish between the higher and lower grades manufactured. It took three months to train a girl to be a chocolate dipper, although she usually did not become adept until after a year's practice. Most of the product made by the learner during the initial three months could not be included in the high-grade boxes.

The Vesey Candy Company could not discontinue its line of high-grade candy. A large proportion of consumer goodwill had been built upon the candy that had been dipped by hand. Furthermore, the wholesalers and retailers who sold the company's product had spent time and money in building up a recognition of the Vesey name. Wholesalers had lists of customers who demanded both hand-dipped and machine-dipped chocolates. In addition, the retailers who sold Vesey candy had done considerable display advertising to place the product before the consumer. If the company discontinued the high-grade line entirely, it was likely to lose some of the market for its machine-dipped products. Finally, it would be at a disadvantage in competition with

candy manufacturers in New York, Philadelphia, and the Middle West who would continue to manufacture both grades of candy.

Several attempts had been made to retain and even increase the number of hand dippers employed. Newspaper advertising had proved to be unsuccessful. One of the company's competitors had spent \$80 on such advertising in one month and had obtained only six dippers. The company itself had spent \$150 in one month and had obtained only three dippers. The factory manager had instituted a quantity bonus as an incentive to production and to retain his workers. This bonus amounted to \$3.50 a week if the worker's production at piecework prices yielded her wages of \$18 a week or more. Experienced dippers during the busy season earned \$28 a week, including the quantity bonus. The company had resorted to training. Girls were employed at \$12.50 a week and taught to dip chocolates by hand. A competitor, however, who offered a girl higher wages than the Vesey Candy Company desired to pay before she had finished her training period, was likely to obtain her services. She usually claimed to be an experienced chocolate dipper in seeking employment elsewhere and hence was offered higher wages. Finally, the company had attempted to get in touch with the girls who had left its employ at the time of marriage. This source did not prove to be fruitful.

Excellent relations existed between the company and its employees. Working conditions were such that the company had a 100% rating with the local board of health. Midday lunch was served at cost. Steady employment was available to hand dippers the year round, although the usual fluctuation in the company's work force as a whole was an increase of 50% during the busy fall season and a decline of 33% in the winter months. During the dull period, the company transferred some of the hand dippers to other work but chiefly manufactured candy to stock. Workers in the confectionery industry were not unionized; the several nationalities and the large percentage of women employed made organization difficult.

For high-grade candy, manufacturing cost was made up as follows: 62% material, 25% labor, and 13% factory overhead. Factory labor cost was between 9% and 11% of the price paid by the consumer. Out of the company's gross margin had to be paid cash discounts, general office expense, the cost of returned goods, transportation charges, and interest on borrowed funds.

The company had not made any elaborate studies of training costs, but it regarded the substandard quality of the candy produced during the training period as a serious item in those costs. Unless a girl remained with the company that trained her, throughout the busy season after she had acquired proficiency, the executives did not believe that the company was fully repaid for training her.

Previous to the fall of 1924, the company had not suffered from a shortage in hand dippers. It had been able to manufacture sufficient high-grade candy for stock during dull periods to take care of the peak in the fall. It was not, however, possible to stock for requirements far in advance because of the perishable nature of the product. The factory manager believed that the number of dippers employed in 1924 would not be able to produce sufficient high-grade stock to supply the company's market. The number of hand dippers had decreased gradually from 116 in 1920 to 63 in 1924.

During the war years a cooperative training school had been established under the auspices of a local candy manufacturers' association of which the Vesey Candy Company was a member. It was found that girls frequently left the school after two months' training and succeeded in obtaining employment as experienced dippers with members of the association and in unit candy stores. This situation was due principally to administrative looseness in the several plants. Foremen, during busy seasons, obtained dippers from any source, irrespective of the arrangements made by company executives regarding the cooperative training school.

Several additional complications were present. There was a "fraternity" spirit among chocolate dippers, which frequently manifested itself in the hazing of novices. The unit candy stores had made inroads upon the large manufacturers' high-grade candy business in urban centers. The previously existing differential in low labor costs enjoyed by eastern candy manufacturers was disappearing because immigration restriction was rendering impossible the payment of low wages to foreign-born labor. On the other hand, the rise in the wages of unskilled foreign labor was causing the manufacturers to develop and install machinery, which in some departments had lowered costs below the levels existing when the work was done by hand.

The executives of the Vesey Candy Company thought that the inroads of the unit stores in cities would continue and that large-scale operations would be predominant only in the manufacture of machine-made candy. In some degree the falling off in the number of dippers employed by the large manufacturers was to be expected. The company did not believe the situation sufficiently critical to cause large Boston candy manufacturers to institute a cooperative training venture that would establish a centralized placement bureau. Moreover, even complete cooperation between members of the manufacturers' association would not prevent the loss of dippers to unit candy stores. That loss resulted in the large manufacturer's losing his investment in a girl's training to a competing agency. The company decided to pay high enough wages to obtain skilled dippers in busy seasons, and to continue giving steady employment to dippers having long service records, but not to place itself at a competitive disadvantage by incurring training costs in addition.

COMMENTARY: The decision of this company to meet the shortage of candy dippers by offering rates of wages higher than those ruling in the market, rather than by training additional numbers, turned upon its belief that it would lose to other local candy manufacturers a substantial number of the dippers it might train. We have here one effect of the breakdown of the apprentice system. The employer no longer is assured that he will be repaid for training the worker. The latter is not bound for a definite period, during which the value of his labor would offset the cost of training plus the wages paid him.

The company's executives believed that its business in hand-dipped confections was declining and that, therefore, a shortage of candy dippers, and the subsequent higher wages received by them, would be less serious to it than if its sales of hand-dipped chocolates were increasing. Unit candy stores, those manufacturing candy on the premises, were filling a larger share of the urban demand for hand-dipped candies. Upon them the shortage would react directly. Whether they would train girls in candy dipping was a critical question in this case.

In the executives' opinion, the unit stores were unlikely to train candy dippers under the existing circumstances. The cost to the unit store of training a dipper was thought to be more than the additional wage cost that it had to pay to obtain a trained dipper. As the wages of dippers increased, however, this differential would be narrowed and perhaps disappear. The unit stores could dispose of candy made

by novices by offering it in special sales. There was a further likelihood that girls trained by a unit candy store would feel a larger obligation to remain with the store, since they would recognize the cost of training, which largely is related to inferior product. No doubt many girls so trained would be relatives or friends of the unit-store proprietors and for that reason they would continue with the stores that trained them.

The effect of increased wages of dippers upon manufacturing costs and net profit is not stated in the case. Raw material was a large proportion of manufacturing cost, however, and an increase of 10% or even 20% in the wages of dippers probably would have raised the total manufacturing cost not more than $2\frac{1}{2}\%$ or 5%. Nevertheless, such an increase deserves careful scrutiny when a large volume of product would be affected by it. The company could have continued its hand-dipped lines as an accommodation to customers and could have looked to its other business for revenue, but that result was not to be passively accepted.

It is the reviewer's understanding that the unit stores hired chiefly experienced candy dippers and that proprietors of those stores would not accept novices who had completed only three months of training in the trade. The unit stores were taking the best of the manufacturers' employees in the hand-dipping departments. These vacancies would have to be filled.

It is apparent that the solution adopted by the Vesey Candy Company was neither generally applicable for an extended period nor corrective of the difficulty. That policy caused the shifting of the available supply of dippers to the highest bidder. Some decrease in the demand for dippers on the part of larger manufacturers was possible if they wished to substitute machine-dipped candy for hand-dipped candy in their high-grade boxes.

Apparently the "shortage" of candy dippers had not assumed serious proportions. When the costs of hiring, including the overhead costs of the greater turnover entailed by the policy of attracting help from one another, become clearly more than the cost of training, inclusive of the risk of loss of trained employees to competitors, training will be resumed by Boston candy makers.

At a previous time cooperative training was attempted by Boston manufacturers. If properly conducted and carefully controlled, it could prevent the loss of girls in training to cooperating employers. Yet it could not prevent loss of those girls to the unit stores, nor prevent competitive bidding for the available supply of trained and experienced dippers by the larger manufacturers. The independent spirit of the candy manufacturers and the seasonal demand for hand dippers ren-

dered whole-hearted cooperation in a joint training effort difficult to obtain.

The Vesey Candy Company should have studied the costs of training. It then would have had facts upon which to reverse its decision to hire experienced dippers, whenever that policy appeared more costly than the training program.

In localized centers, places in which an industry is concentrated and where numerous competing employers bid for members of the same craft, the risk attending training efforts by the individual employer is serious. Immediate competitive advantage dictates the absence of training ventures to any one employer, yet that policy, if generally followed, is detrimental to the industry as a whole in the locality. The corrective solutions now in force are public vocational schools, manufacturers' cooperative schools, and private training schools to which the learner pays a tuition fee. Further evidence is desired regarding the special merits of each of these programs in their respective applications.

Another phase of general significance attaches to this case. The higher wages to be paid by the Vesey Candy Company to attract skilled dippers would act chiefly, in fact almost exclusively, in the Boston area. That is true because women are not so mobile as men; women's residences are dictated, usually, by the work of the male members of their families. Hence, an additional supply of candy dippers in Boston could not be obtained from other localities by offering higher wages, but must be obtained by training Boston women. A policy of high wages to relieve a labor shortage is more effective with men workers than with women workers. On the other hand, the high wages offered candy dippers in the Boston market probably would recall to the industry some experienced dippers residing in Boston who were married or who had gone into other occupations.

October, 1925

J. W. R.

SURREY TEXTILE COMPANY¹

MANUFACTURER—TEXTILES

WORKING CONDITIONS—*Rest Periods Installed to Decrease Labor Turnover.*

A textile company employed an industrial psychiatrist to make an investigation of its spinning department in order to determine the causes of the high rate of labor turnover in that department. The psychiatrist found that the workers suffered from postural fatigue and that their reveries were almost uniformly pessimistic. To correct this condition, ten-minute rest periods, four daily, were introduced into the department, with the result that the high rate of labor turnover ceased to exist.

WORKING CONDITIONS—*Effect of Rest Periods on Workers' Morale.* A textile company, at the recommendation of an industrial psychiatrist, had introduced ten-minute rest periods into its spinning department, in an endeavor to decrease the department's high rate of labor turnover. When the rest periods were abandoned during a week of heavy demand for goods, the symptoms of postural fatigue and of melancholy preoccupation, which had been dispelled by the rest periods, returned. Thereupon the company resumed the rest periods, with the result that the workers' morale improved.

(1923-1925)

In July, 1923, the executives of the Surrey Textile Company estimated that in all production departments in the mills except the spinning department the labor turnover was not over 5% or 6% per annum. In the spinning department, however, the labor turnover approximated 250% per annum, tending to be highest during rush seasons, when the company was most in need of workers. The executives, at that time, decided to employ an industrial psychiatrist to make an investigation with a view to determining the causes of the high turnover in the spinning department.

The company's mills compared favorably with other mills in the industry as to productive efficiency and conditions of work. Machine operations were well coordinated; routing of work was scientific; workers were selected with care; and task and bonus systems were in effect.

Superficially, at least, working conditions in the spinning department did not appear to be inferior to those in other depart-

¹ Fictitious name.

ments. Spinners, like other operatives in the company's mills, worked only five days a week. The working day was 10 hours in length, 5 hours in the morning and 5 in the afternoon, with an interval of three-quarters of an hour for lunch. The work was done in alleys from 30 to 40 yards long, on either side of which were the spinning frames. The frames had to be watched closely by the head tenders and piecers in charge. The number of piecers in an alley varied with the kind of yarn being spun. The piecers walked up and down the alleys twisting together broken threads. The only variation in work was that which occurred when a machine head, which operated from 10 to 14 frames, was stopped in order to doff or to replace a spool. Breakdowns were fairly frequent. Approximately 40 men were employed in the spinning department.

Employees in the spinning department were paid a basic wage and, in addition, a graduated bonus for production in excess of a specified standard. The weight of yarn spun was not a satisfactory criterion of production, since a thick thread weighed more than a thin one but required less labor per unit of weight. The company, therefore, had determined upon standard times, after allowance for doffing, machine breakdowns, and so on, for the spinning of unit weights of the various types of yarn. Production at the standard rate ranked as 100% efficiency, and the monthly production of the department was expected to average at least 75%. If the monthly man-hour efficiency of production averaged over 75%, then the extra percentage was paid as a bonus on wages. Thus an 80% average for the department meant a 5% bonus on his wages to every employee in the department. The basic wage was not reduced, however, if the average fell below 75%. At the time the psychiatrist was employed by the company, the spinning department never had earned a bonus.

The executives asked the psychiatrist and his assistants to enter the plant at first merely as visitors. Consequently, the investigation, in the beginning, was limited to observation and conversation. Shortly the investigators discovered that almost all the workers in the department suffered from foot trouble for which they apparently knew no effective remedy. Many also complained of neuritis in various parts of their arms, shoulders, and legs. In addition, it was found that the workers' reveries were almost uniformly pessimistic. Occasionally a worker would

fly into apparently unreasonable anger and leave his job. Although the workers who left usually accepted the same type of work in other mills, their opinion of their work was low. "You need strong legs and no brains for this work," one man said. Another remarked, "Piecers get disgusted; they are always getting disgusted."

After some discussion of the evidence, the management agreed to institute, experimentally, ten-minute rest periods. The periods of rest and work were to be arranged as follows: two hours of work, ten minutes of rest, one hour and thirty minutes of work, ten minutes of rest, one hour and ten minutes of work; total five hours. In the rest periods the workers were to lie down. Instruction in the best methods of muscular relaxation was given by the psychiatrist and his staff. It was hoped that the rest periods would remedy, at least in part, the postural fatigue of the workers and also interrupt and dispel their pessimistic reveries, which the psychiatrist held to be probably the most important factor in the situation.

Rest periods were introduced in the spinning department in September, 1923. Only one team of piecers, about one-third of the total number, were given the rest periods at first. Those piecers appeared to be pleased with the innovation, and they speedily adopted the method of rest advised. Beneficial effects of the plan appeared almost immediately. Symptoms of melancholy preoccupation disappeared, none of the workers involved in the plan left the company's employ, production was maintained, and morale was improved. This improvement in morale appeared to extend also to piecers not on the team given the rest periods.

In October, 1923, the management decided to give the rest periods to the entire personnel of the spinning department. The periods were so arranged and alternated that only a part of the men were idle at any one time. Although prior to that time the spinning department never had earned a bonus, in October and the following months, with one exception, the department did earn a bonus. Exhibit 1 shows for the period from October, 1923, to August, 1925, average *monthly* production of the spinning department in terms of the efficiency ratings. Exhibit 2 shows *daily* production from October, 1923, to June, 1924, also in terms of efficiency ratings.

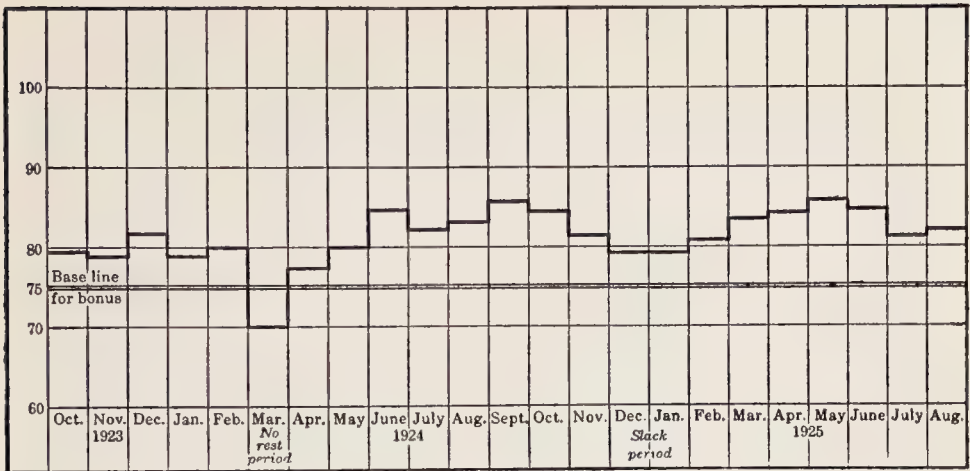


Exhibit 1: Average monthly production in terms of efficiency percentages in spinning department of Surrey Textile Company, October, 1923, to August, 1925.

Through the whole of the period October, 1923, to March, 1924, the rest periods were irregular. They did not occur at fixed times but were allowed only after the men had completed certain operations. On some days the men had two rest periods only. Usually, however, they had three or four rest periods in a day.

On Friday, February 15, in response to a heavy demand for goods, the departmental superintendent, on his own authority, ordered the discontinuance of the rests. For a week the spinning department, without the knowledge of the executives, continued to work without rests, and on the following Friday, February 22, the psychiatrist noticed that the old pessimistic reveries had returned in full force, accompanied by some of the former symptoms of fatigue. He inquired the cause and discovered that the rest periods had been abandoned. He immediately appealed to the executive officer in charge and that officer ordered the resumption of the rest periods on Monday, February 25. The rest periods were continued through March, the men, however, still being required to "earn" their rests. The result was that, in March, the incidence of rest periods was highly uncertain and irregular. On a given day certain men might have no rests at all, while others would have one, two, three, or, rarely, four. In spite of this condition, the output of the department showed a distinct tendency to improvement in the latter part of March (see Exhibit 2).

At the end of March the president of the company called a conference to discuss the causes of the decrease from 80% to

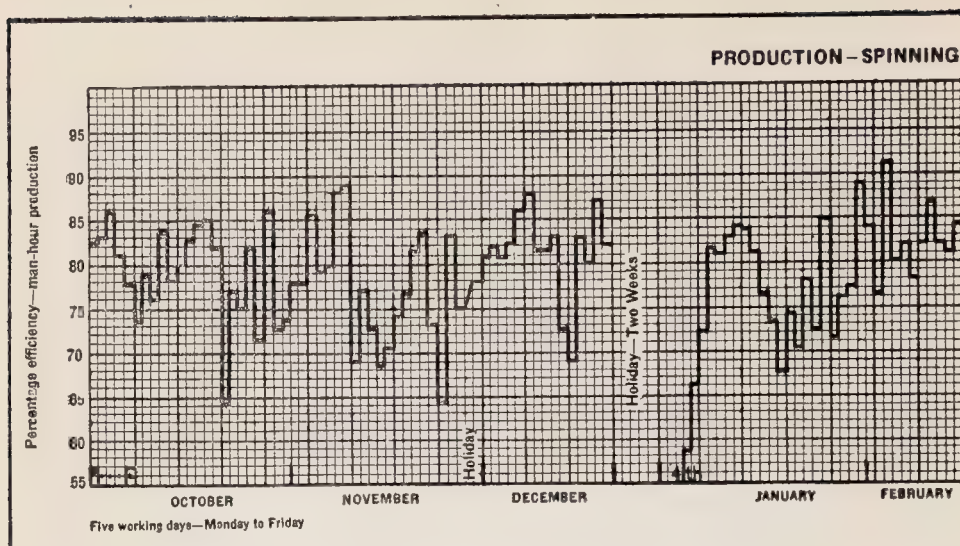


Exhibit 2a: Daily production in terms of efficiency percentages in spinning department of Surrey Textile Company, October, 1923, to June, 1924.

70% in productive efficiency which had taken place in that month (see Exhibit 1). In March there also had been a recurrence of absenteeism, an evil which had notably diminished in the period from October to February. The psychiatrist pointed out that this absenteeism meant that the men were taking their rest periods in the form of "missed" days. The whole rest-period system, the psychiatrist stated, had never had a fair trial in the department, inasmuch as it had not been possible for a worker to know as he entered the factory in the morning that he was assured of a definite number of rest periods in the day.

As a result of the conference, the president decided that during the month of April the spinning mules should be shut down for 10 minutes at a time 4 times a day and that during the rest periods all hands, including foremen, should lie down and rest as they had been instructed to do. The men were to lie down beside their machines upon sacking provided for that purpose. Few of the executives believed that this alteration of method would result in increased production. The men themselves believed that the 40 minutes lost by 40 men per day could not be recovered. They pointed out that the machines could not be speeded up and that "there was no other way of recovering the lost time."

Nevertheless, production in April showed an improvement on March. The March efficiency rating had been 70%; in April it

MULES—NINE MONTHS



Exhibit 2b: Daily production in terms of efficiency percentages in spinning department of Surrey Textile Company, October, 1923, to June, 1924.

was $77\frac{1}{2}\%$. This, while it represented a $7\frac{1}{2}\%$ gain in the company's rating, was actually a 10% improvement. The men had had their rests; the pessimistic reveries had again disappeared; simultaneously morale had much improved, and the department had earned a $2\frac{1}{2}\%$ bonus. In the month of May and thereafter, the president ordered a return to the system of alternating rest periods, with this difference, that each group of three men in an alley was to determine for itself the method of alternation, the understanding being that every worker was to have at least four such periods daily. In May the average efficiency of man-hour production was $80\frac{1}{4}\%$; in June it was 85% ; in July, 82% ; in August, $83\frac{1}{2}\%$; and in September, $86\frac{1}{2}\%$. The irregularities in production which Exhibit 2 shows for May resulted from the fact that the carding machines were unable to supply the spinners with spooled yarn as it was needed. This defect in organization was remedied. On the one day in June when production efficiency was comparatively low, $76\frac{1}{2}\%$, there was a machine breakdown in the department. No figures were available to show the average productive efficiency of the spinning department prior to the introduction of the rest periods. It was estimated, however, to have been at best between 70% and 75% .

During the course of the investigation, evidence was accumulated as to the type of revery with which the workers were pre-occupied. Instances were found of men who, after four years,

still were dwelling upon painful war experiences. Many of the workers were preoccupied with domestic difficulties. Individual situations were carefully and, as far as possible, thoroughly investigated. The investigators reported that four-fifths of the employees welcomed such inquiry and counsel. Confidences were in every instance respected. In their work with individuals, the investigators recognized four general directions of inquiry: the personal history of the individual, including his dominant reveries; his medical history and physical condition; his domestic situation; and the effect upon him of his occupation.

The executives of the company were well pleased with the results of the work of the psychiatrist and the introduction of the rest periods. The former problem of an emotional or temperamental labor turnover had ceased to exist. The mill had no difficulty in holding its workers. In September, 1924, the company decided to purchase army cots for the men to use during the rest periods, experience having shown that the benefit was directly proportional to the completeness of the relaxation.

COMMENTARY: It is ordinarily assumed that high productive efficiency is secured chiefly by close organization of machine operation, by careful routing, by vocational selection of workers employed, and by task and bonus systems. That these items of organization are of high importance must be at once admitted; nevertheless they fail of effect unless account be taken of the attitude of the worker. Evidence is accumulating which goes to show that the one most important factor which determines productive efficiency is the mental preoccupation (or revery) of the worker as he works. It has become evident that the marked effects of regular rest cannot be attributed to the mere elimination of physical fatigue. In the first place, the effect shows itself immediately; whereas, according to C. S. Myers, H. M. Vernon, and other investigators, relief from physical fatigue is not expected to show for possibly two months.

In industrial and economic writings much comment has been made in recent years on the monotony of machine operation. Some writers have claimed that the effect of monotonous work upon the individual is exceedingly bad; others have regarded it as negligible. While this discussion has served to show that a problem undoubtedly exists somewhere in this area, it has done little or nothing to define the problem clearly or in detail. The investigation of revery seems to show that the essential problem consists in the mental preoccupations induced in the workers by the conditions of their work. Speaking generally, it may

be said that an individual's daily work or avocation may serve to minimize or to intensify any preexisting tendency to pessimistic or paranoiac meditation. Everyone, worker or executive, probably carries with him a private grief or discontent. Wherever the conditions of work are unsuitable physically or mentally, the immediate effect seems to be an increase of pessimistic or bitter reflection. The opinion of the worker as to the suitability or unsuitability of his working conditions is apparently of no value in this respect. A given worker may believe that he is content with his job because of the revery that preoccupies him. This same revery may nevertheless tend to unfit him as a producer or as a citizen. Even if the worker is not content with his job, he is usually as powerless to define the ground or cause of his discontent as the executive who commands him. It is not monotony in itself that is necessarily bad, but repetitive work under conditions that make for the development of pessimistic or other abnormal preoccupation.

For many years past, the leading psychiatrists of the world have called attention to the close relation that obtains between fatigue and nervous breakdown, and between habitual revery and neurotic unreason. Charcot and Janet, in the latter part of the nineteenth century, showed that hysteria is a form of sleepwalking, a mental condition of preoccupation which disregards external reality. In his work upon neurotic disorders, Janet points out that everyone who suffers fatigue displays certain of the typical symptoms of psychasthenia, such as "motor agitation, tics, irritability, obsessing revery."²

In further description of the form of mental breakdown which he terms "psychasthenia," Janet calls attention to the "lowering of mental tension" and "the diminution of the functions which permit action on reality and perception of the real."³ To point out that these two characters do not manifest themselves merely in the psychasthenic mentality is fair comment. All revery or preoccupation is more or less "drifting." The mental tension is lowered and the active perception of reality is simultaneously much diminished. The distinction between normal revery and its psychasthenic counterpart is found rather in the latter part of Janet's definition—"the substitution of inferior and exaggerated operations in the form of doubts, agitations, anguish, and obsessing ideas." Elsewhere⁴ Janet speaks of these abnormal mental states as "crises of revery." Janet is not alone in his assertion of the close relation that obtains between habitual revery and so-called "nervous breakdown." In his earliest work⁵ Freud adds the further statement

² Janet, *Les Névroses*, p. 358.

³ *Op. cit.*, p. 367.

⁴ *Op. cit.*, p. 79.

⁵ *Hysteria and Other Psychoneuroses*, p. 9.

that "the existence of hypnoid states (that is, abnormally pessimistic reveries) is the basis and determination of hysteria." Continuing, he says: "We are unable to give anything new concerning the formation of the predisposed hypnoid states. We presume that they often develop from 'reveries' very common to the normal, for which, for example, feminine handwork offers so much opportunity." The implication here is clearly that conditions of work, if unsuitable, may transform normal reveries into hysterical preoccupation.

In writing these words more than 30 years ago, Freud was, of course, entirely consistent with the strict medical tradition of his time. But in these days we have come to see that far better instances than "feminine handwork" can be given of the type of occupation which encourages the growth of abnormal reveries. Work in the factory or machine shop may be varied and interesting; it may also be, and very often is, extremely monotonous and depressing. If a person of average ability is continuously employed on work of an extremely repetitive type after the advent of physical fatigue, a situation is created exactly similar to that described by Janet and Freud as liable to give rise to functional mental disorder. It is difficult to avoid the conclusion that the most fertile cause of industrial and social unrest lies here.

A further investigation of workers in the spinning department of the Surrey Textile Company, in comparison with employees doing similar work in other plants, was carried on subsequent to the events described in the case. A brief description of this investigation is given here.

After it had become clear that the original labor-turnover problem of the Surrey Textile Company had been, in some degree, solved—and with a definite increase of productive efficiency—the investigating group determined to compare, if possible, the physical condition of the spinners with workers in other mills engaged upon equally repetitive tasks. The experiment had been so far successful: it had been based upon an inference from Janet's claim that obsessing revery and difficulty of maintaining concentration are mental symptoms of fatigue. There was originally evidence of a universal incidence of pessimistic revery throughout the spinning department. This disappeared when rest periods were instituted. It appeared again when rest periods were stopped; it disappeared finally when regular rests were allowed. A question suggested itself as to whether it was possible to measure anything in the nature of diminished organic "tension," as Janet terms it, in the individual during the working day. With this in mind, the investigators determined to measure diurnal variations of blood pressure in selected workers in the spinning department and to compare these measurements with diurnal variations of individuals who worked elsewhere.

What is commonly known nowadays as "blood pressure" is simply

the tension within the arteries caused by the heart pumping blood into them. The heart is a muscle which can contract very strongly, and, in doing so, it forces blood into the arteries. The arteries are elastic and stretch slightly to admit the successive waves of blood pumped into them by the heart. These successive waves can be felt in the artery at the wrist and are known as the "pulse." This pressure or tension within the arteries is necessary to work and health; it is maintained chiefly by the contractile power of the heart, the elasticity of the arteries, and the resistance offered by the smaller arteries and capillaries in the limbs and body. The pressure is not the same in different people; it is not always the same in the same individual. When a man begins work, his heart begins to beat faster and his blood pressure rises. This is necessary, especially if he is doing hard muscular work, because the supply of blood to the muscles he is using must be increased. When he rests, his blood pressure falls again. So through the day, as a man works and rests, his blood pressure rises and falls.

When a man is sick and goes to see a doctor, the doctor often measures his blood pressure. He does this for the same reason that he examines heart, lungs, and so on—just to see that every bodily organ is working rightly. This is not what was done in the factory. The investigators, of course, warned anyone if it seemed that his blood pressure was too high or too low. But they were mainly interested in watching the changes that take place as an individual works. They believed that it might be possible to discover the manner in which the work that they are doing affects different individuals. If a man is doing work too great for his strength, his blood-pressure record will show it.

There are two points measured in taking a blood-pressure measurement—a high and a low. The highest tension is when the heart is actively forcing blood into the arteries; the lowest tension is in the short interval when the heart is inactive. In the case of the ordinary adult man these pressures are often about 118 and 78 when he is not working—they may be higher or lower. What the investigators did was to take these two measurements and notice how they vary from time to time. They also took careful account of the difference between them. The difference between the two numbers given—118 and 78—is 40; this is known as the "pulse pressure." (This is not the pulse rate—the number of pulsations per minute.)

When a man begins work in the morning, his high—or systolic—pressure rises and the low—or diastolic—pressure rises with it. As he adapts himself to his work and does it with less effort, both pressures slowly fall. Just before lunch, his pressures are usually lower than they have been. After lunch when he begins work again, his pressures

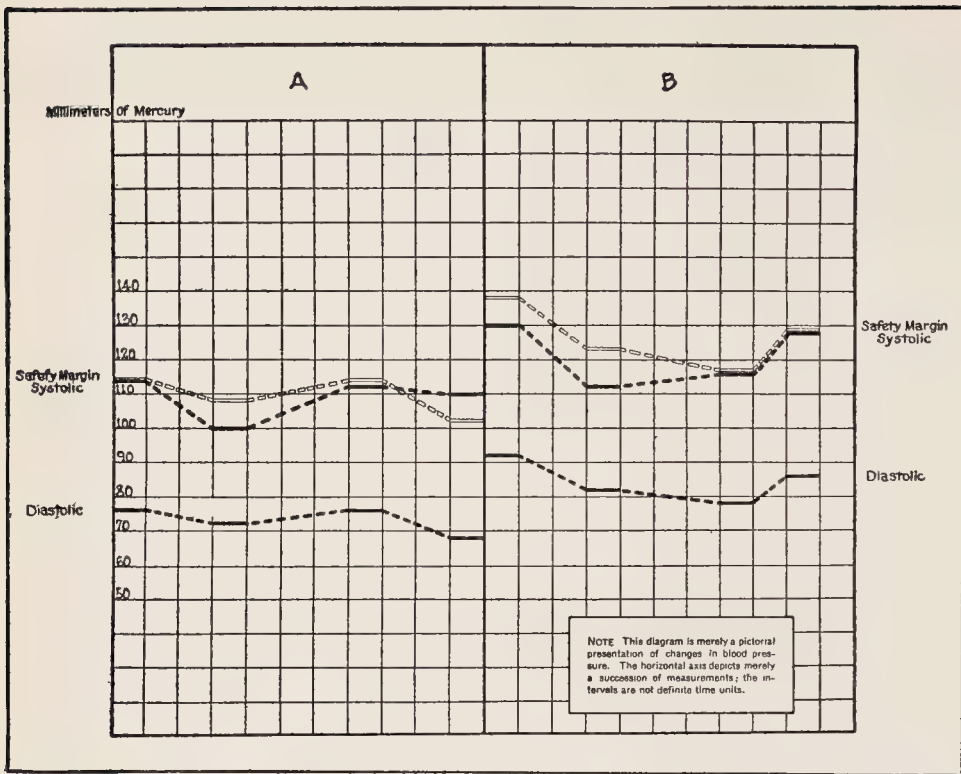


Exhibit 3: Blood-pressure readings of two male workers in spinning department of Surrey Textile Company.

frequently go to the highest point they reach in the day. During the afternoon, the changes that occur seem to be determined by the fitness of the individual. If a man is equal to his job and accustomed to it, his pressures may stay high until he stops work, when they come back to the usual level. If he is worried or unwell or unfit for the time being, his systolic pressure remains high, but his diastolic pressure begins to fall. This shows that the "tone" of his arterial system is decreasing as his capacity for continuing to work fails. This is revealed by an increasing difference between high and low pressures—an increasing "pulse pressure." (See above.) This at least is what measurements seem to show.

In the Surrey Textile Company the first measurement was made at a time when the piecers were working regularly and well; they had been using the regularized rest-period system for a period of 12 months. Two men were selected, notable for their physical fitness, their rare use of the dispensary, their regularity of attendance, and their efficient workmanship. Sixteen measurements were made in the day, by two qualified observers. Blood pressures were measured at the end of the first working period, on the eighth minute of rest, and on standing up

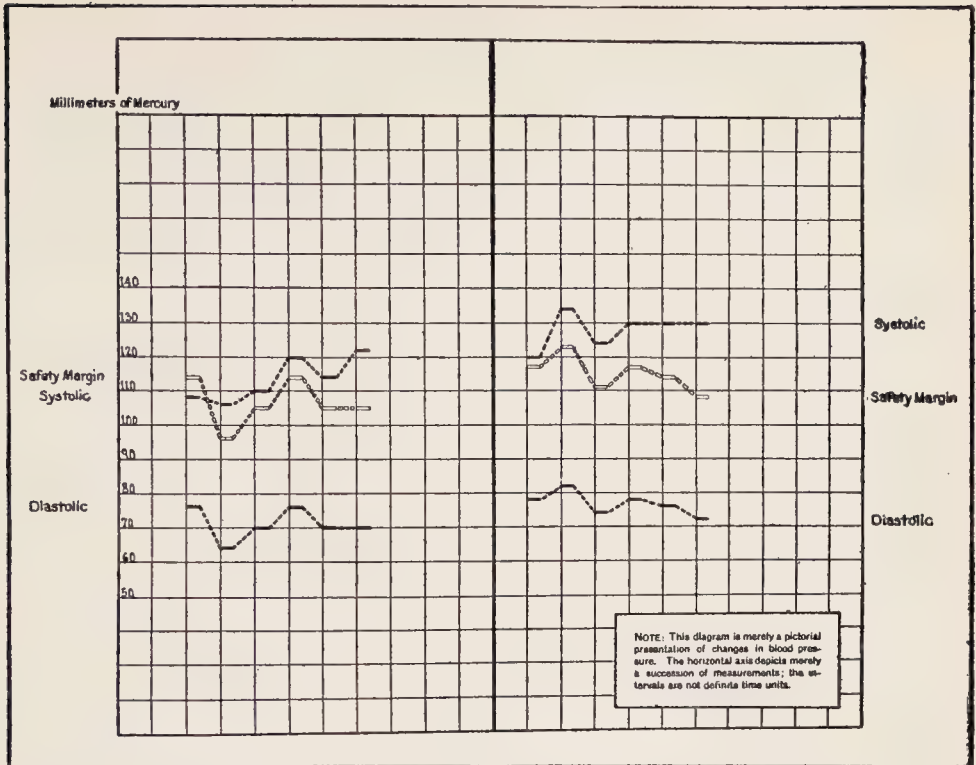


Exhibit 4: Blood-pressure readings of two male workers in factory not allowing rest periods.

after resting. These measurements were repeated at the second morning rest and in the two afternoon rest periods. Measurements were also taken of the men lying down and standing up, before and after lunch. These measurements involve three major observations; only a selection can be presented here.

Of the two workers selected, "A" was 51 years of age, of medium height, and slight; "B" was 20 years old, 6 feet tall, and of muscular build. The diagram shown in Exhibit 3 gives the systolic and diastolic readings for the morning and afternoon work periods. A dotted line has been added to indicate the approximately correct pulse pressure (according to the empirical rules of ordinary medical practice and life insurance tables). The dotted line indicates what some medical writers call the "safety margin."⁶ The assumption is that when the systolic pressure is much above the point indicated by the dotted line, the heart is carrying an overload. This is an empirical assumption and must not be overemphasized. It was used in the investigation mainly for purposes of comparison.

The diagram (Exhibit 3) shows that during the morning and at the

⁶ See Langdon Brown, *The Sympathetic Nervous System in Disease*.

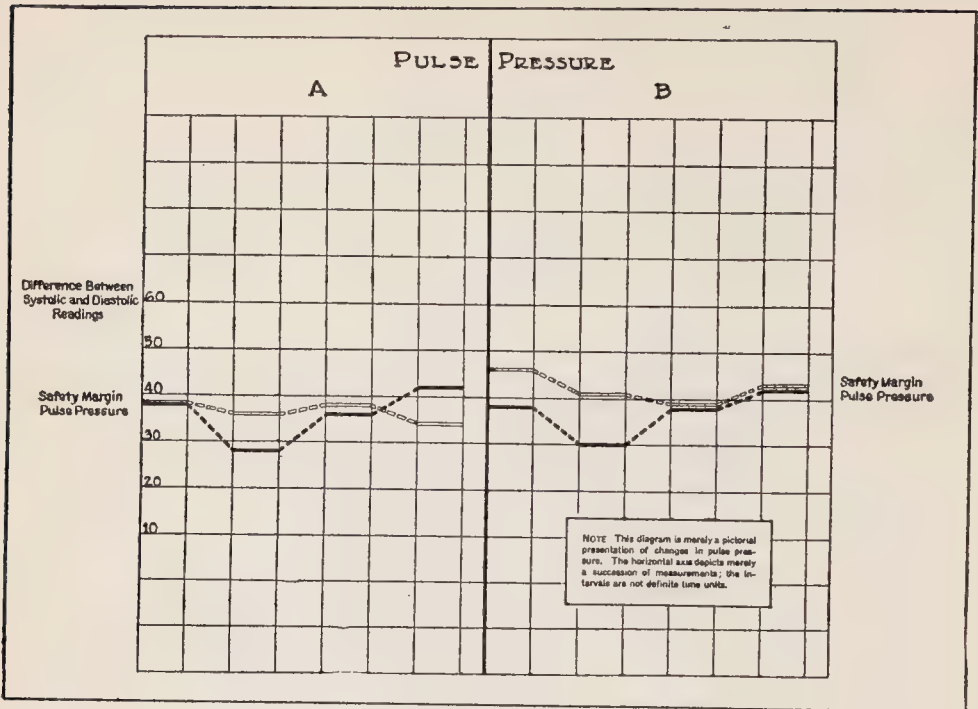


Exhibit 5: Pulse pressures of two male workers in spinning department of Surrey Textile Company.

end of the first afternoon work period, the pressures of both workers were within the so-called "safety margin." At the end of the second afternoon work period A's systolic pressure had fallen slightly and his diastolic had fallen further, with the result that his pulse pressure had become greater than that prescribed by the empirical rule. B's systolic pressure rose in the same period, but his diastolic rose proportionately so that at a higher pressure he had the same margin as before. Both readings probably indicate fatigue;⁷ but A's diminished diastolic pressure shows a greater fatigue—a diminished capacity for maintaining the organic integration (or tension) that work demands.

The second diagram (Exhibit 4) illustrates the variations of blood pressure in two male workers in a factory where rest periods were not allowed. They worked for 9½ hours daily; the measurements shown were taken on a Friday after a busy week. Blood-pressure readings were taken after 2 hours' work in the morning, after the lapse of another hour and one-half, and at the lunch interval; these readings were repeated in the afternoon. A dotted line has again been interpolated to show the relation of systolic to diastolic pressure prescribed by the empirical rule. There are two interesting points to be observed.

⁷ Cannon interprets a rising systolic in such circumstances as implying fatigue. See W. B. Cannon, *Bodily Changes in Pain, Hunger, Fear, and Rage*.

The first is that both workers show a steadily increasing pulse pressure as the day goes on. The second, and perhaps more important, point is that in one case the increase of pulse pressure is due to the fact that the diastolic pressure diminishes throughout the whole afternoon work period. This fall in diastolic pressure again suggests a general diminution of capacity to maintain the organic tension which work demands. It is an interesting fact that this worker was troubled by obsessive reveries about his future in the afternoon period. This diagram is characteristic of many that the investigators obtained in factories where rests are not allowed.

When these readings are compared with the former, there is an interesting comparison. The next two diagrams (Exhibits 5 and 6) show the pulse pressures of the workers during the work periods in the two factories. The workers who were allowed to break their work and rest for short periods show only one reading above the margin prescribed by the empirical rule. The other two show only one reading within it.

Too much importance must not, however, be attached to this comparison. It chanced that the investigators in this measurement found strong confirmation of the method of work they had advised. On other occasions they found workers amongst the spinners who showed a pulse pressure above the prescribed margin for a large part of the working day. The general results of the comparative measurements were never-

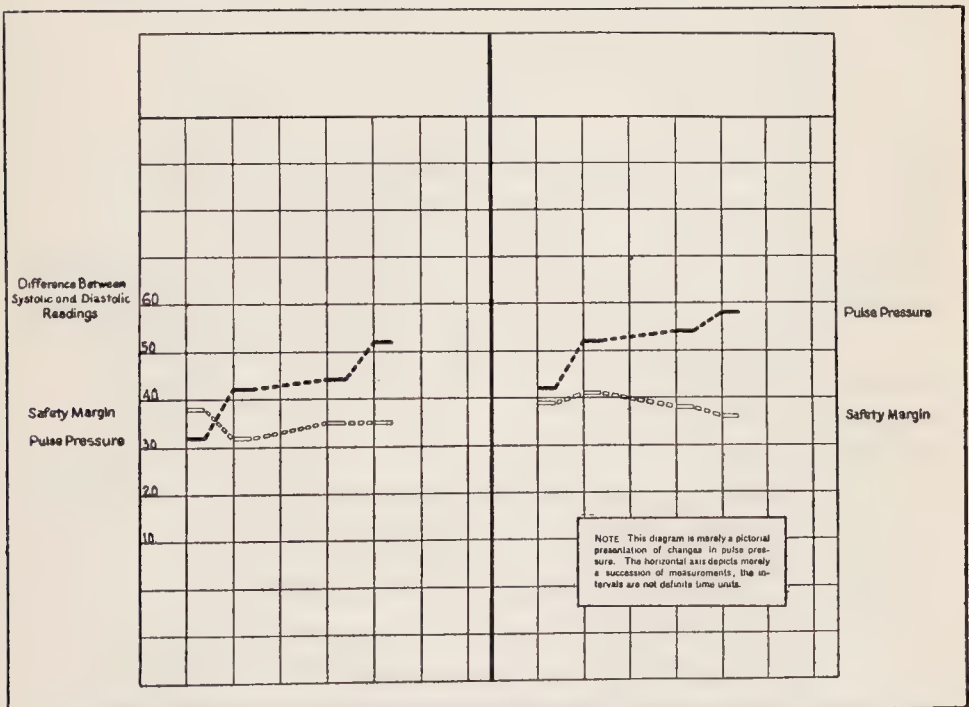


Exhibit 6: Pulse pressures of two male workers in factory not allowing rest periods.

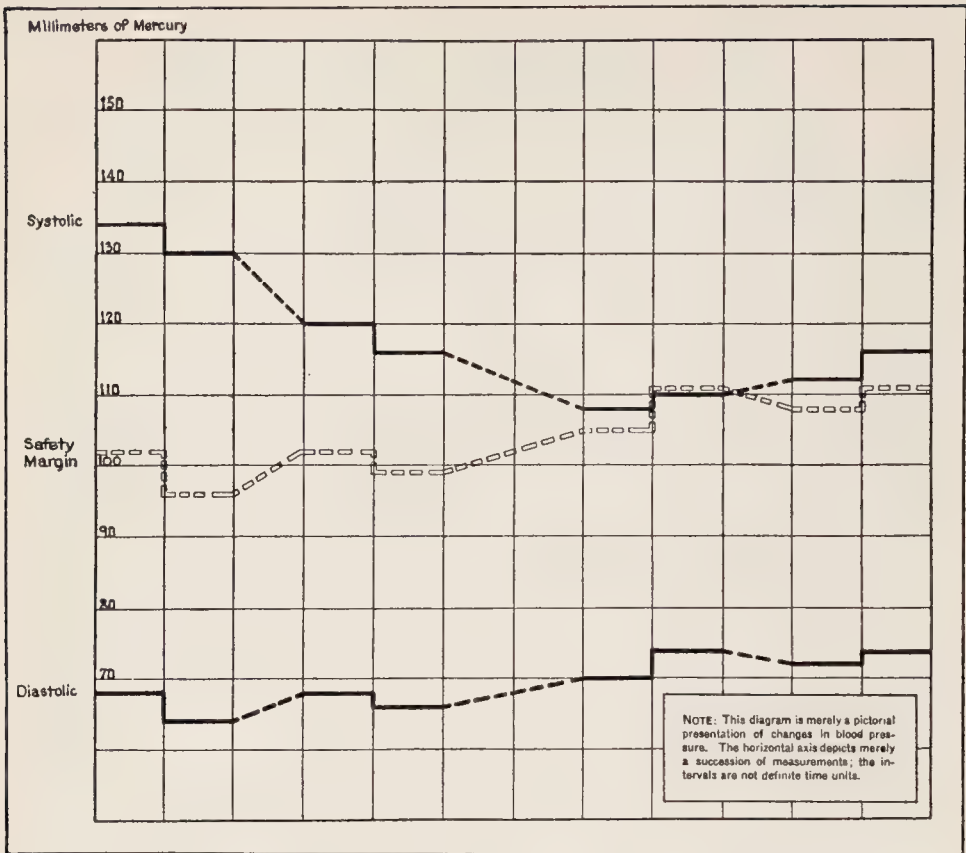


Exhibit 7: Blood-pressure reading of female factory worker.

theless strongly in favor of the rest-period system in every instance.

The important suggestion which emerges from the general inquiry is that as to the relation between obsessing revery and diminished "tension" as shown by a falling diastolic or an increased pulse pressure. It would seem that there is some possibility of stating Janet's generalization in such terms that fatigue may be detected by organic measurement. This suggests a possibility that the mental unrest (whatever its cause) that shows itself in labor turnover and otherwise may be similarly detected.

It must, however, be remembered that conditions of work and, by inference, managerial policy are not always or even usually responsible. To demonstrate this, a diagram is added (Exhibit 7) of the blood pressures of a female worker, 27 years old, in a factory where 2 rest periods of 15 minutes each were allowed in an 8-hour day. In terms of all that has been said, her blood pressures look curious until one knows that she and her husband had danced until 2 in the morning of the same day and had partaken of some "synthetic" fluids during the festivities. In the morning her systolic pressure is too high and her

diastolic too low (reversing the usual situation). The disturbance is metabolic rather than mere muscular fatigue, since as she works her organic situation improves and in the afternoon her blood-pressure records are normal. Her morning systolic is over 130; in the afternoon it varies between 108 and 115. Her morning diastolic pressure is not above 68; in the afternoon her vasomotor tone has recovered and she is as steadily above 70 as she was formerly below it. With the recovery of tone she is able to work without showing an abnormally increased pulse pressure. It is interesting to notice even here, however, that the obsessive thinking of the morning is interrupted by a 15-minute rest period—and by a subsequent 45-minute lunch period. The afternoon rest showed her at her normal.

The general conclusion of the investigating group was that, at a time prior to the reorganization of the method of procedure in the spinning department, it would probably have been possible to obtain blood-pressure records similar in type to those of Exhibits 4 and 6.

April, 1927

E. M.

COLLINGTON COMPANY¹

MANUFACTURER—AUTOMOBILE TIRES AND TUBES

EMPLOYEE TRAINING AND EDUCATION—*Rejection of Plan for Segregated Instruction.* The turnover among the tire-building force of a rubber manufacturer was 65%, whereas that of the entire plant was 43%. The higher rate was thought due to discouragement on the part of inexperienced workers, who contrasted their earnings with the wages of experienced operatives. Segregated training was discussed as a corrective, but was not indorsed because of lack of space and fluctuating production with a consequent variation in the number of persons trained.

(1924)

The Collington Company, a manufacturer of automobile tires and tubes, employed in September, 1924, 3,557 workers in 40 departments. Approximately one-fifth of the employees worked in the cord-tire department. Labor turnover in that department for the year 1923 had been 65%, whereas turnover for the entire plant during the same period had been only 43%. An analysis of the situation disclosed that turnover in the cord-tire room was due mainly to the fact that inexperienced workers left the employ of the company within two or three weeks after the date of their entrance. The company found that the new workers became discouraged because they were not able to produce as many tires as did the older workers. That situation led the company to contemplate the establishment of a vestibule training school where inexperienced workers could be separated from the experienced workers and given thorough instruction in the building of tires.

The factory was located in an industrial district having a population of about 200,000. Industry throughout the district was diversified, although the largest single class of labor employed was a high type of machinist. The company drew on the whole district for the bulk of its labor needs; it preferred workers who lived near the plant. It had no preference as to nationality. The company attempted to hire workers skilled in tire building, but when they were scarce, it was willing to train any men who were physically able to perform the operations satisfactorily.

¹ Fictitious name.

Inexperienced workers were introduced into the tire room and put to work among the skilled operators.

Cord-tire building involved the assembling of the various materials, cut to size, that entered into the finished tire. Those materials, delivered to the tire builder in subassembled form, included the "pocket," the "bead," and the "cushion, breaker, and tread." The pocket was made up of one or two plies of the rubberized fabric. A one-ply pocket was received by the builder in flat-strip form. A two-ply pocket, when ready for the builder, resembled a large elastic band. To prepare a two-ply pocket, the ends of one strip of fabric were folded over and cemented together; the midpoint of the second strip was laid over the junction of the ends of the first strip; the two strips then were turned over on the table, and the ends of the second strip folded over and cemented together.

The bead was the small piece of rubber by which the finished tire was secured to the wheel's rim. The manufacture of the bead was a machine operation.

The cushion, breaker, and tread were three strips of rubber. The cushion and the breaker were narrow strips covering the top of the tire only, and were designed to absorb some of the shocks. The tread was similar in width to the pocket and constituted the layer which was later molded into the tread design. Those strips were assembled into a single unit ready for the builder.

The subassembled material and the tire-building equipment were laid around a continuous conveyor that ran from one end of the room to the other. Subassembled material, "air bags," and finished tires were all hung on hooks on the conveyor and removed by those who were to work on them next. One man kept the conveyor supplied with air bags of the proper size, and another removed the tires as they came around and put them on another conveyor which carried them to the heating room.

Each tire was assembled by one man. Equipment used throughout the department had been standardized. The operator obtained an air bag, inflated to the size called for by the order on which he was to work, and fitted the air bag to a disk which was revolved by an electric motor. He took the pockets, stretched each one on a stretching machine, and placed them, one at a time, over the inflated air bag. A coating of cement was applied to each pocket. After each pocket was in place, the disk was

revolved, and the strips were rolled down the side of the air bag by a small roller held by the operator. The bead was placed between the first and second pockets. The cushion, breaker, and tread strip was cemented over the top pocket and rolled down in a manner similar to that employed in rolling down the pockets. The tire was then removed from the disk and hung on the conveyor, ready to be sent to the heating room.

Four or five weeks' experience usually was necessary before the learner overcame his initial awkwardness in handling the sticky materials and liquid cement used in the operation. Thereafter his practice increased the coordination of his muscular efforts and strengthened those muscles which were used in the operation. The learner also found the work fatiguing, since he was required to exert a great deal of strength in rolling down the sides of the tire so that the cement would take a firm hold.

Men beginning work in the tire room were paid 45 cents an hour, until they could earn more on piecework. Experienced operators earned from \$7 to \$9 a day. New operators usually worked in the plant approximately six months before their earnings reached that point. They frequently became discouraged when they compared their production and earnings with those of a worker who had been building tires for several years. The fact that they were expending the same amount of strength and energy for a smaller return was thought by the company to be the principal reason for the turnover of 65% in the cord-tire department.

If a vestibule training school was established and a five weeks' course in tire building given to inexperienced workers, the company expected the turnover of tire-room employees to be reduced. Close supervision could be given to the new workers, and there would be little opportunity for them to compare their wages and their output with those of the regular workers. The employment manager estimated that it cost the company \$150 to train a man in tire building. Factors taken into consideration in determining that figure were overhead costs, the worker's low rate of production, and spoiled work. The employment manager believed that improved methods of training would reduce this figure as well as the turnover percentage.

There were, however, certain objections to the establishment of a vestibule school. The company's production fluctuated to

such an extent that it was likely to have inadequate training facilities in times of high production when there would be many men to be trained, and excessive training facilities in times of depressed shop activity. Adequate training could be given only if working conditions in the training school were similar to those in the tire room. Exact duplication of conditions would necessitate the installation not only of tire-building equipment, but also of a conveyor system, in the training school. Additional handling of materials would be necessary. The company had a well-devised routing system and utilized conveyors, supplemented by trucks and elevators, for carrying materials from one department to another. There was no vacant space adjacent to the producing departments, in which to start a training school, unless encroachments were made on the space occupied by regular equipment.

The company decided to continue the training of new workers in the tire room. Inadequate space and fluctuations in the number of new workers necessary were given as the chief reasons for not establishing a vestibule school.

COMMENTARY: From the figures presented in this case, it appears that the company had 450 tire builders under training in 1924. The estimated cost of replacing a tire builder was \$150. Not all the novices remained throughout the training period, so that the cost of labor turnover in the tire-building department, while large, probably was less than \$67,500.² A more exact indication of that cost would have been desirable, but the loss was sufficiently great to warrant a determined effort to reduce it.

The executives of the Collington Company thought that segregated training would have reduced labor turnover among tire builders to some extent, but naturally they could mention no specific estimate. The high labor turnover that existed among the tire builders was attributed by the executives to the fact that the learners in that group could contrast their earnings easily with the higher wages of experienced operatives.

But that comparison might have furnished an incentive to the learners. If the comparison was discouraging rather than energizing, the true difficulty was that progress was not being made by the learners to their satisfaction. It is the reviewer's belief that more intensive training was necessary to reduce the labor turnover in the Collington Company's tire-building department. The location of learners was a secondary consideration.

² $450 \times \$150 = \$67,500.$

Building a tire is exacting work. The operative is required to exert his strength, his dexterity, and his judgment. His care is reflected in the product—perhaps not superficially but in its dependability in use. Correct processing methods and standards of quality should be learned by the operative at the outset. Intensive supervision at that time is necessary for these reasons and also to reduce the period of instruction so that tire-building equipment may be used more intensively.

Apparently, the starting rate paid to learners was adequate. The company reported no difficulty in obtaining novices to learn tire building.

Lack of space for a vestibule school would not have prevented an intensive training experiment on a small scale in the tire-building room. The men undergoing training should have been confined within a definite section of the department to facilitate intensive supervision. One instructor, and only as many learners as he could supervise, should have been included in that experiment, which would have permitted the company to judge the merits of intensive training.

This arrangement would have set no definite limit to the training section, which could have been expanded or contracted to accommodate the varying number of persons undergoing training. Since the tire-building equipment was standardized, at the completion of the intensive training period learners could have been transferred readily from machines used for training purposes to those regularly used by experienced operatives.

December, 1925

J. W. R.

TILBURY MANUFACTURING COMPANY^{1, 2}

MANUFACTURER—PAPER NOVELTIES AND STATIONERS' SUPPLIES

EMPLOYEE TRAINING AND EDUCATION—*Training Department Established*. In 1919 the increased volume of orders received by a company manufacturing paper novelties and stationers' supplies necessitated a rapid expansion of its working force. Semiskilled workers formerly had been taught by foremen. The pressure of the work required the foremen's attention for processing problems, and the company, therefore, established a training department to instruct workers in certain tasks.

EMPLOYEE TRAINING AND EDUCATION—*Instruction in Certain Tasks Not Segregated*. Not all the employee training conducted by a company manufacturing paper novelties and stationers' supplies was segregated in its training department. Tasks performed in connection with expensive equipment that was difficult to move and that was utilized only part time for training purposes, were not taught in the training department.

EMPLOYEE TRAINING AND EDUCATION—*Teachers from Company Organization More Satisfactory than Teachers from Vocational Schools*. A company manufacturing paper novelties and stationers' supplies conducted a training department for employees. The company's experience, although limited, was that former operatives were effective teachers of precise processing methods, but lacked patience and ability to instruct verbally. Teachers obtained from vocational schools possessed more agreeable personal qualities, but were not so insistent upon detailed methods. The company, because of the quality of its products, desired teachers who insisted upon the prescribed methods.

EMPLOYEE TRAINING AND EDUCATION—*Novices Trained on Materials Intended for Shipment to Customers*. Although the policy involved additional planning and at times delayed learners' advancements in its vestibule school, a company manufacturing paper novelties and stationers' supplies decided to train operatives on materials intended for shipment to customers. That policy was thought to improve the attitude of the novices toward their work and it permitted the application of the same quality standards that were applied in production departments. The variety of the company's products enabled it to adopt this plan.

(1919-1924)

In 1919 the Tilbury Manufacturing Company, producing paper novelties and stationers' supplies, experienced a large increase in the volume of customers' orders. That increase, together with

¹ Fictitious name.

² See also Tilbury Manufacturing Company, page 131 following.

the increased labor turnover resulting from the existing active demand for labor, necessitated the employment and training of more workers than the company previously had hired in a period of equal length. As a means for meeting the situation, the company's executives considered the practicability of establishing a functionalized training department in the plant.

Before 1919 the training of new workers had been conducted in the various manufacturing departments under the supervision of department superintendents and foremen. The work force was large and required a substantial number of new workers to replace operatives who left and to provide for normal expansion. The training problem assumed large proportions in the organization, even under normal conditions.

The executives appointed one of their number to make a survey of the problem and to present constructive recommendations. After his investigation this executive recommended that training regularly be given in nine operations. These were chosen because it was expected that the present and future labor needs of the company would absorb from each of the nine courses more than enough learners to justify the overhead expense of functionalized training.

Of the nine operations mentioned, six were performed by women and girls; all these required manual dexterity. These tasks were hand box making, machine box making, fancy box covering, box lining, label cutting, and packing. In the making of boxes by hand, an operator received the cardboard and the paper already cut to size. She brushed the inner surface of the paper with glue, folded the cardboard to form the box, and glued the paper to it. In making boxes by machine, the operators worked in groups of three; one girl ran the paper through the gluing machine, the second fed the cardboard and the glued paper to the box-making machine, and the third inspected and stacked the product after the second operation was completed. Beginners on machine box making were required to perform all three operations before they were regarded as qualified machine box makers. In leather-case covering, the operator received the leather cut to size and glued it to small wooden boxes. Those cases were lined by hand, with velvet or cloth, and sold mainly to jewelers. The cutting of gummed labels was done with a mallet and die. A specified number of sheets of gummed paper

were used so that each cutting of the die severed a definite number of labels. When the die contained the proper number of labels they were discharged from the die and packed in a container. Packers assembled the requisite number of tags, placed them in containers, and packed the containers into cartons for shipment.

The other three occupations in which the executive recommended that training be given were filled by men; these were type setting, tag printing, and Meisel-press printing. Hand composition required a complete familiarity with the various sizes and classes of type used by the company in the printing of tags. The men were taught how to set up type preparatory to its use in the tag presses. Tag printing was a machine process. Tag presses varied in size from small, single-purpose machines which printed one color of ink on one side of a tag, to multiple-purpose machines which cut the tags from rolled stock, printed on both sides in two or more colors, and numbered the tags consecutively. Men were started at work on the single-purpose machines and progressed to other types as the quality of their work warranted. The Meisel press printed colors rather than numbers and letters. Both tag printing and Meisel-press printing required familiarity with the various adjustments of the machines, in order that all letters, numbers, and colors should be in line.

The length of the training period varied between the tasks taught. Hand box makers, leather-case coverers, and box liners were in training for approximately one year, the machine box makers and gummed-label cutters about six months, and packers six weeks. Compositors were trained for from one to one and one-half years, and operators of Meisel presses about one year. Training in the operation of the series of tag presses also was completed in about a year. Training periods were not fixed at specified lengths of time; flexible terms allowed for the varying capabilities of individuals.

The Tilbury Manufacturing Company was the only manufacturer of stationers' supplies and paper novelties in the labor market from which it obtained its work force. The company expected to have approximately 50 workers in training continuously. It had 7,200 square feet of floor space available for a vestibule school, with the possibility of an additional area of 2,500 square feet if expansion was found to be necessary. The space containing 7,200 square feet was insufficient to provide for

the full training program. A complete tag press unit which contained multiple-purpose, as well as single-purpose, machines, would not provide for training enough workers to justify the space required by such a unit. The space thus occupied would be more valuable for apparatus to be used in teaching other operations. Meisel presses likewise required a large amount of floor space per unit of equipment. Tag presses and Meisel presses, furthermore, incurred heavier overhead expenses than the other equipment. The equipment for the other operations would not limit so drastically the number of workers who could be trained.

The Tilbury Manufacturing Company had made progress in coordinating production and sales. The demand for many of the company's products was distinctly seasonal, but production had been so planned that seasonal fluctuation in the company's sales as a whole had been practically eliminated. A functional planning department scheduled orders to individual groups of machines and equipment within the various departments. "Due-in" and "due-out" dates were set for each department through which an order passed. Salesmen received weekly summaries of orders at the plant either in process or in the files of the schedule clerks. Orders were scheduled in the planning department so that promised delivery dates could be met. At times, equipment in the regular production departments which was being used for training had been assigned by the planning department to process rush orders. This had resulted in disruption of the new workers' progress on those machines. The planning department had found it difficult to schedule orders to the new workers because only rough estimates could be made of their expected performance.

Materials in process were easily transported; all the products could be handled in bulk in boxes. An extra trucker was thought necessary, in case a vestibule school should be established, to transfer materials to and from that department.

Further considerations in favor of segregated training were that materials could be routed directly to the training school, and the training staff would attend to the planning of work within that department; noise in several departments rendered them unsuitable for intensive supervision during the training period; experienced employees had been known to scoff at changes in methods that had been taught newcomers; frequent

and irregular changes from machine to machine to accomplish the training program had resulted in confusion and lost time in the production departments. This was the case particularly when the plant was operating at capacity.

The offsetting features of the program were that division of equipment might result in inadequate or excessive facilities in either location, as a result of fluctuations in orders and in the numbers trained at different times; the atmosphere of a training department, moreover, would not be quite that of the shop, hence a process of adjustment would have to be undergone by the learners when they were transferred from the school.

The company decided to establish a vestibule school in order that the high standards of quality demanded in the producing departments might be maintained during the training period. Training was to be centralized, with the exception of tag-press and Meisel-press work, which would be continued in the producing departments under the supervision of instructors who were responsible to the training department. Equipment similar to that used in the regular production departments was installed in the training school. Operating conditions, such as heat, light, safety devices, and the space between the machines and tables, also were patterned after those departments.

No additional machinery was purchased expressly to equip the training school. Most of the machinery in the school had been transferred from producing departments. New equipment bought at the time was to increase the capacity of the plant.

In building up its training organization the Tilbury Manufacturing Company sought instructors with the following qualifications: a knowledge of the operations to be taught, the ability to perform the task according to the proper standards of speed and quality, teaching ability, agreeable personality, evenness of temper, and tact.

After using teachers from its production departments and from the staffs of industrial schools, the company found contrasting tendencies on the part of the two groups of teachers in giving instruction. Those who had been expert operatives in the production departments had a complete knowledge of the operations, but in many instances did not have the patience, tact, and ability to impart that knowledge to others. Their most common failing was impatience with learners who failed to acquire the proper

motions readily. Teachers from industrial schools, in the company's experience, managed the learners more tactfully, but they did not take sufficient pains to teach the minute features of the several tasks thoroughly. In filling vacancies on the instruction staff, the company turned first to operatives of intelligence and agreeable personality. The executives believed that the quality of product would be safeguarded best by intensive training in methods of manipulating materials and equipment.

Applicants for training were selected by the employment department in cooperation with the director of training. A study was made of the qualifications and aptitudes desirable in applicants. The findings were summarized in "job specifications," which were of assistance in selecting learners.

Teaching methods were intensive in character. Instructors were present to demonstrate processing motions and to prevent the formation of inefficient habits of work. Special attention was given to quality. A box that showed a smudge of dried glue, for example, was not accepted. Instruction manuals for the use of learners and new instructors were prepared by the training staff in cooperation with the best workers in the production departments and with members of the rate-setting department. A complete description of the methods of performing the several tasks was included in the manuals. They also explained the use of time tickets, checking in and out of the plant, and the wage system in use. Learners were questioned regarding the general information relating to shop rules contained in the manuals.

An issue that presented itself was whether learners should work upon products for customers or be given material that would be discarded after its use for training purposes. The executives in charge of the training program believed that training upon material destined for customers, by placing responsibility upon the learners at once, led them to exercise more care in their work than if its results subsequently were to be destroyed. The various grades of the company's products in each line permitted it to adopt this policy.

This decision involved one serious difficulty, in that it was not always possible to assign sufficient orders for the types of work necessary to bring about the progressive advancement of each learner without delay and according to the established sequence of instructional tasks. Although the school attempted to

start the learners on elementary work and advance them to higher grades when proficiency had been attained, orders were not always available, and the instructors often had to give a novice advanced work. The result was a high ratio of rejections and irregular earnings, which sometimes discouraged the new workers. Even with orders available, additional planning was necessary by the training-school staff and the plant planning department to provide stock for learners. Since workers in the training school were allowed a wide variation in processing time, the planning department preferred to route orders for early delivery to the production departments rather than to the training department.

An important, favorable result of this decision, however, was that the same quality standards could be applied to the work of the training school that were applied to production in the shop. Regular inspectors passed upon training-school output, and thus the novices became acquainted at the outset with the operation of the company's inspection system.

In 1924 the company's training staff believed that its system of paying learners offered insufficient incentive to increase production during the training period.

The men in the training school were paid on a straight-time basis. They started at \$12 a week and their wages were raised at the discretion of their supervisors. At the end of the training period their wages averaged \$22 a week. An indication of increases in efficiency of printers' apprentices could be obtained by checking against standards the actual time taken for setting up the various jobs. The number of impressions per hour was checked against standards. Types of jobs were considered in recording learners' progress. In tag printing and Meisel-press printing, rate of production depended mainly on the speed of the machines. The jobs done on these presses, as well as the tasks assigned hand compositors, had many variations. Moreover, the compositors were allowed time to become familiar with the different sizes of type used and to gain experience in reading proof.

Girls in the training school made only those products upon which standards had been set. The girls were started on class C work and progressed through the other classes as their efficiency increased. They were given a base rate of \$8 and were guaranteed total earnings of \$12 on all jobs except gummed-label

cutting, which carried a \$13.50 guaranteed wage. Their wages were computed according to the system effective in the plant.⁸ They earned from \$16 to \$19 a week when they were promoted to the regular production departments.

Many of the girls were content with the guaranteed wage, and had no desire to increase their earnings by increased production unless forced to do so by the instructors.

Production on operations performed by the girls was capable of measurement. For five years, the training office had kept, in chart form, records of each girl's production, earnings, and atten-

⁸ For those tasks which had been standardized and were performed by the women and girls, the company had devised a novel method of wage payment. Production for which standards had been set was divided into four classes, on the basis of skill and fatigue, as follows: class C easy, class B medium hard, class A hard, and class AA for a few tasks that required much skill and good physique. The rating of tasks according to these classes was made by the classification committee, composed of representatives of both the management and the employees. The employee representatives were appointed by the works council. Wages were determined according to two rates: a base rate and a class rate. When a girl was given employment at the company's plant, she was assigned a base rate. This was raised only as her length of service and value to the company merited it, and was subject to adjustment if pronounced changes took place in the current rate of wages of the community or in the cost of living. This base rate varied between workers, from \$8 to \$12 a week. The class rates were: class AA \$10.50 a week, class A \$8.50 a week, class B \$6.50 a week, and class C \$5. If a worker completed her task in less than the standard time, she was paid for that standard time at the class rate, for the time taken at the base rate, and for the time saved at the base rate. If she took more time than was allowed for the task, she was paid for the standard time at the class rate and for the time taken at the base rate. The standard, determined by multiplying the number of pieces to be made by the standard time taken to make one piece, was recorded in the rate-setting department. The following table illustrates the computation of wages.

WAGES RECEIVED BY THREE WORKERS IN TILBURY MANUFACTURING COMPANY
HAVING SAME BASE RATE AND WORKING ON CLASS B WORK

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Worker	Class Rate per Hour	Base Rate per Hour	Stand- ard Time (Hours)	Actual Time (Hours)	Time Saved (Hours)	Class Rate Earn- ings	Base Rate Earn- ings	Time Saved Earn- ings	Total Earn- ings	Earn- ings per Hour
x	\$0.155	\$0.25	4	3	1	\$0.62	\$0.75	\$0.25	\$1.62	\$0.54
y	.155	.25	4	4	..	.62	1.00	.....	1.62	.40
z	.155	.25	4	5	..	.62	1.25	.....	1.87	.37

Key:

$(a) \times (c) = (f)$

$(b) \times (d) = (g)$

$(b) \times (e) = (h)$

$(f) + (g) + (h) = (i)$

$(i) \div (d) = (j)$

dance. A general trend had been ascertained for the entire training school. It was found that production increased gradually at first, then for a time remained on the same level or increased slightly, and toward the end of training increased until the girls showed sufficient improvement to be transferred to regular production. The trend during the intermediate period often was punctuated by fluctuations due to changes in the class of work given to the girls.

Several executives of the company believed that another incentive, not necessarily a wage incentive, was necessary if the new workers, particularly the girls, were to increase their production regularly from the start. With that in mind, the manager of the rate-setting department had worked out a plan which provided that a standard task for the day was to be set for each worker in the training school. When that task was completed, the worker was to be allowed to leave the factory. Wages were to be paid on the same bases as previously. The proponents of this method expected that production would be increased regularly and steadily and that the training period would be shortened. Application of the method was deferred because standards had not been set for all operations taught in the training department and because there were differences of opinion among the executives regarding its value.

COMMENTARY: This case deals chiefly with the technique of job instruction. Specific tasks, not trades, were taught in the company's training department. No doubt the need for labor was such that the costs of vestibule school instruction, for the time being, were a necessary and a profitable outlay.

It will be noted that two occupations were not taught within the training school. Those were performed in connection with expensive equipment that was used only intermittently for training purposes. Similar conditions frequently prevent segregated training, whatever its other merits.

The Tilbury Manufacturing Company could not hire a number of skilled operatives sufficient for its needs. It was the only manufacturer of paper novelties and stationers' supplies in the locality; moreover, the operators that were trained in the vestibule school were chiefly young women whose period of work in industry, generally speaking, is brief. The company anticipated that it would have to replace a substantial percentage of these workers annually.

The practices followed in this training school were developed with care, and the considerations which influenced the company to adopt those practices merit the attention of other employers faced with a substantially similar problem.

There were serious disadvantages, however, in the proposed incentive plan. That plan proposed to hold forth leisure as the reward for increased effort on the part of operators. The incentive effective in the plant was increased earnings. Upon transfer to regular work, therefore, the learner would have a changed incentive for increasing output; the regular hours imposed in the plant departments, moreover, might prove irksome. So far as possible, working conditions during a training period should approximate those surrounding subsequent employment. In that way, the novice learns the work under representative conditions.

July, 1926

J. W. R.

TILBURY MANUFACTURING COMPANY¹

MANUFACTURER—PAPER NOVELTIES AND STATIONERS' SUPPLIES

EMPLOYEE TRAINING AND EDUCATION—*Segregated Instruction Discontinued.*

After a company manufacturing paper novelties and stationers' supplies ceased to be obliged to train a relatively large number of new employees each month, it discontinued its segregated training school. Training in the vestibule school had been delayed at times because department heads did not wish to send to it material which had an early and definite delivery date; the foremen had questioned the ability of workers trained in the vestibule school; and those workers had been confused and disturbed when transferred from the school to the producing departments. Upon the discontinuance of the school, the foremen, with the assistance of full-time or part-time instructors under their charge, and with advice from a staff specialist, trained the novices then employed.

(1926)

In 1924 the Tilbury Manufacturing Company, which manufactured novelties and stationers' supplies, examined critically the labor policies that it had established during the period of labor shortage from 1916 to 1920. In 1919 the company's increased volume of orders had necessitated a rapid expansion of its working force. At the same time, the company's rate of labor turnover was abnormally large. The pressure of the work required the foremen's attention to be directed to processing problems, and the company therefore established a vestibule school in which nine types of work were taught.² Before 1919 the training of new workers had been conducted in the various manufacturing departments under the supervision of department superintendents and foremen.

In 1924 the chief reason for the vestibule school no longer existed. The company's organization had ceased to grow rapidly, and the rate of its labor turnover was low. The foremen, therefore, were not so overburdened with emergency orders as they had been when the segregated training plan was adopted. The company had found that a number of the foremen lacked confidence in the employees trained in the vestibule school. Most of

¹ Fictitious name.

² See Tilbury Manufacturing Company, page 121 above.

the shop executives were of more exacting manner than the instructors in the training school; most of the shop departments were less quiet and orderly than the training room. Consequently, when new employees who had been trained in the school were assigned to factory departments, the change in operating conditions confused them for a time, reduced their operating effectiveness, and prejudiced the foremen against them. Considerable expense had been involved in planning and routing work to the training school. The school heads did not wish to assume responsibility for the time of delivery of a given batch of material, since they did not wish to rush novices under instruction. Some of the producing departments, therefore, were unwilling to route to the vestibule school material which had a definite "due date." As a result, the school at times did not have enough materials for teaching purposes.

Recourse to the training department as a source of employees had been optional on the part of the line executives. A number of the departments had experienced only gradual growth or change and some also contained work which could be mastered in a few days by the novice. These departments did not call upon the school for assistance.

Up to 1924 the cost of the training department had been distributed generally over all factory departments. In that year this procedure was changed and departments which used the training school were charged with its expense. When this accounting change was made, several department heads volunteered to take over the training work as a part of their regular duties. The overhead expense of the vestibule school was considerably more than the overhead costs of training in the producing departments.

In 1925 the company decided that the vestibule school no longer was the most economical method of training employees. The company recognized that the line executives who under this decision were to resume the administration of formal training activities might slight the training of some novices. Such neglect might arise if the foremen assigned to production work the instructors transferred to their departments. The company believed, however, that maladjustments of this type would not continue. A training specialist, who occupied a staff position, was retained as an advisor to the foremen in their training problems.

In the first few months after segregated instruction was abolished, the company found that it was able to reduce the number of instructors and that the morale of the novices was improved. The novices no longer had to readjust themselves to shop conditions when advanced from the vestibule school. The novices were kept supplied with material. This was possible even in the case of definitely promised orders, for if such an order appeared likely to be held up by novices' lack of skill, the department head could reroute it to expert workers and thus have it processed prior to the "due date." There was less handling of material and the special training department planning room was abolished. Space cost of training was reduced; the vestibule school equipment was put back into the producing departments and the area that had been used by the vestibule school was assignable for other purposes. The foremen felt an increased responsibility for training employees and no longer were able to criticize the methods of a training department for the failure of novices under their charge.

COMMENTARY: The decision of the company to discontinue segregated training reflected the changed conditions of its business and of the labor market. The force was more stable and there was much less training to be done in 1925 than in 1919. The changed method of accounting for training costs unquestionably had some influence in causing a few supervisors to volunteer to take over again the training function. The unwillingness of department heads to assign to the school material which had a definite delivery date was a serious obstacle to the school's success. Absence of raw material in the training school as a result of this condition prolonged the period of training there and added to its expense.

Operating conditions of the producing departments were not duplicated in the vestibule school, and no doubt a number of persons who became discontented with conditions in the producing departments after transfer left the employ of the company. When training is conducted in the operating department, the employee is confronted immediately with the conditions of his regular employment and he can make up his mind at an early date whether he wishes to continue upon the work.

The experience of several manufacturers with segregated training has been that upon transfer from the vestibule school employees must readjust themselves to conditions in the producing departments. This

problem apparently is more serious with women than with men.

A new worker and his prospective foreman should meet as soon after the worker has been hired as is conveniently possible. If this meeting is deferred until after the vestibule training period and either the worker or the foreman is dissatisfied with the other, the firm loses the investment in training and the employee loses the time spent in learning. For this reason, employee training conducted in a segregated department or specially reserved area should be under the personal, even though general, supervision of the department head for whom the novice later is to work.

October, 1926

J. W. R.

TUCKERMAN MACHINERY COMPANY¹

MANUFACTURER—MACHINERY

EMPLOYEE TRAINING AND EDUCATION—*Practices Developed in Training Apprentice Craftsmen.* A company manufacturing machinery, after 70 years' experience with apprentice courses, had developed certain practices in connection with those courses. These included a preliminary trial period, initial deposit by the apprentice, a formal indenture at the close of the probationary period, increased wages as the apprentice progressed, instruction in related technical subjects, and systematic assignment of graduated work.

EMPLOYEE TRAINING AND EDUCATION—*Methods to Increase Applications for Apprentice Training.* From 1919 to 1924, a machinery manufacturing company found that few boys wished to enter its apprentice course for molders, doubtless because of the arduous nature of the work, the disagreeable physical environment in foundries generally, and the higher rates of wages for semiskilled and more easily learned employments. As a corrective measure, the company solicited apprentice molders in near-by towns and invited parents to inspect its foundry and training methods.

(1924)

For 70 years, the Tuckerman Machinery Company had conducted apprentice courses, lasting for from 1½ years to 4 years, for the training of machinists, draftsmen, pattern makers, molders, core makers, and blacksmiths. Until 1920 the company had experienced no difficulty in recruiting boys to enter these courses. During the period from 1920 to 1924, however, few boys had made applications to enter the courses in molding and core making, which were given in the foundry. The company deemed it advisable to increase the number of foundry apprentices, but, up to December, 1924, had not succeeded in doing so.

The company manufactured textile machinery, was located in a city of 175,000 population, and in December, 1924, was employing approximately 5,000 workers.

At that time, there were 100 boys from 16 to 21 years of age taking the company's courses: 6 were taking the course for molders, 8 that for core makers, 5 that for pattern makers, 20 that for draftsmen, 4 were studying to be screw-machine operators, and 57 to be machinists.

¹ Fictitious name.

The purpose of the company's apprentice courses was to educate young men in all phases of their chosen trades so that they could qualify with the company as skilled workers and as leaders of those who had not had the opportunity to obtain a varied training. The apprentices were trained to be able to fill positions of responsibility, and could look forward to promotions. In the past, the company's apprentices had proved to be valuable additions to its force. Several of the department foremen and many of the section foremen were graduates of the apprentice courses. Responsible positions under the factory superintendent and in the drafting, engineering, and sales departments also were held by former apprentices. All graduates had attained a degree of skill for which there was a demand in other factories manufacturing machinery.

A grammar-school education was a prerequisite for all courses; for drafting, a boy had to have, in addition, an education equivalent to that necessary for successful completion of the course in the technical high school of the city in which the plant was located.

Each boy who desired to enter the plant of the Tuckerman Machinery Company and who had the required prerequisites was given a preliminary examination to test his knowledge of simple mathematics, including fractions, decimals, percentage, ratio and proportion, square root, and mensuration. The examination was given at the factory, unless the boy lived out of town. In that case, the company made provision for conducting the examination near the boy's home. If the results of the examination and the references submitted were satisfactory, the company set a date at which the boy was to enter the course.

The first 12 weeks after a boy enrolled in a course constituted a trial period. If the boy's work was satisfactory, that period became a part of the first year of apprenticeship. At the end of the period, the boy, if satisfactory, signed a contract in conjunction with his parents and an official of the company indenturing him to the company for the specified term of his apprenticeship. When he signed the contract, the apprentice paid a fee, as an evidence of good faith. He forfeited this fee if he did not fulfill his contractual obligations. At the time of graduation, the company paid each apprentice a bonus, which had been promised him when the course commenced and which was considerably in

excess of the original fee. Length of service and wage rates for the different courses are given in Exhibit 1.

The company believed that the formal agreement and the payment of a fee were necessary, in order to discourage the enrollment of boys who would not complete the courses. A boy who lived at home could save enough of his earnings during the three

EXHIBIT 1

LENGTHS OF COURSES AND RATES OF PAY FOR APPRENTICES OF
TUCKERMAN MACHINERY COMPANY

Apprentice Courses	Length	Number of Periods	Length of Periods
Blacksmiths.....	3 years	3	1 year
Core Makers	1½ years	3	6 months
Draftsmen.....	2½ years	3	10 months
Machinists.....	4 years	4	1 year
Molders.....	3 years	3	1 year
Screw-Machine Operating....	2 years	4	6 months

Apprentice Courses	WAGE RATES PER HOUR			
	First Period	Second Period	Third Period	Fourth Period
Blacksmiths.....	\$0.25	\$0.28	\$0.31	.....
Merit Wage.....	.02	.02	.03	.....
Core Makers .....	.26	.28	.32	.....
Merit Wage.....	.02	.02	.03	.....
Draftsmen.....	.23	.25	.30	.....
Merit Wage.....	.01	.02	.03	.....
Machinists and Pattern Makers.....	.19	.21	.24	\$0.28
Merit Wage.....	.01	.02	.03	.03
Molders.....	.28	.32	.38	.....
Merit Wage.....	.02	.02	.03	.....
Screw-Machine Operating.....	.27	.31	.35	.39

months of the trial period to pay his entrance fee when the contract was signed. The company permitted boys who were unable to make full payment at that time to pay in weekly installments. The fee varied according to the length of the training period.

The fee for machinists and pattern makers was \$50 and the bonus paid them upon completion of the course was \$150; the fee for draftsmen was \$25, and the bonus \$75; for molders and blacksmiths, the fee was \$25 and the bonus \$100; for core makers the fee was \$25 and the bonus \$50. At the end of the trial period, machinists and molders had to buy tools which cost them \$13 and \$19, respectively; the company furnished tools during the trial period.

Apprentices were given opportunities to increase their earnings beyond the regular rates. During part of the apprenticeship, all apprentices except draftsmen and blacksmiths were given piecework. For this piecework the boys were paid at three-fourths the piece rates given the regular workers for the same type of work. The piecework jobs given the boys were short, no apprentice being permitted to work on the same sort of job longer than was necessary for him to acquire a complete knowledge of the work. The company believed that piecework developed in the boy a spirit of industry not to be gained so readily in any other way. The company also paid an additional, "merit" wage to those apprentices whose rating, based upon the quality of their work, their scholarship, and their deportment, was "excellent."

Training under the company's apprentice system was conducted in the manufacturing departments. The boys were transferred from one department to another according to a schedule; boys learning the machinist's trade were transferred most frequently. The apprentices started on simple operations and advanced gradually to work which required a high degree of skill. They were given the opportunity to observe how operations were performed by working beside the trained and experienced workmen. Transfer from department to department brought the apprentices to the notice of many of the foremen, whose acquaintance with the boys aided the company in estimating their progress in their chosen trades and their aptitudes for the work.

The boys were given a thorough training in all phases of their chosen trades. Machinist apprentices studied centering, lathe work, drilling, both by the use of jigs and where laying out the work was required², milling, fitting, assembling, screw cutting,

² Drilling by the use of a jig involved setting up the machine according to the requirements of a blue print. No measurements on the material were necessary to determine the place to be drilled. Where there was no provision for a jig on the

repair work, screw-machine operating, and toolmaking. Boys in the drafting course studied a variety of work which included the designing of parts for all machines manufactured by the company. Pattern makers, in addition to making forms from the specifications of the designing department, spent a portion of their training period in the foundry. Molding apprentices were given experience in floor molding, bench molding, core making, and cupola practice³. The work of core makers, on both light and heavy cores, included trimming and baking. Blacksmiths were taught both hand and drop forging. Screw-machine operators were taught to be specialists on operating all types of screw machines. The screw-machine department was functional in that it produced parts for all other direct manufacturing departments in the factory.

There was classroom work in connection with all the courses. Instruction was given in machine-shop mathematics, including linear and angular measurement, the calculation of screw threads, gearing, feeds and speeds of machinery, and indexing. The drafting of jigs, fixtures, cams, and other mechanisms also was taught. Lesson sheets were provided which became the property of the apprentices after they had completed their terms. Instruction was based upon problems arising in the shops. Those problems were presented in regular sequence as to subject and difficulty of solution. Algebra, geometry, and trigonometry were not studied as such, but only in so far as they applied to shop practice. The amount of instruction given in the different courses depended upon the nature of the problems to be presented.

The administration of the apprentice work was centralized in an apprentice department directed by a supervisor, who had charge of the welfare of the boys outside as well as inside the plant. Under him were office assistants, class instructors, and shop instructors. The shop instructors did not relieve the foremen of any responsibility in the training of the boys, but assisted both boys and foremen.

The company safeguarded machinery and other points of

machine, the operator had to determine the point to be drilled in the material from the dimensions specified in the blue print.

³ The cupola is the shaft furnace in which pig iron is melted preparatory to casting. Pig iron, coke, and limestone are charged into the cupola near the top of its stack. The melted iron is drawn off at the base of the cupola.

danger throughout the factory. Instruction in safe methods of working was a part of the curriculum and was stressed at all times. The factory was kept thoroughly clean and was painted and whitewashed once a year. For the treatment of illness and injuries which occurred during hours of work, the company provided a well-equipped dispensary with physicians and nurses in attendance throughout the day. For the accommodation of apprentices who came from out of town, the company maintained a dormitory, charging a nominal fee for the rooms. In addition, the company kept a list of rooming and boarding places near the plant for the benefit of these apprentices. The company encouraged the boys to enroll in the evening classes of the local Y.M. C.A. and the local evening high school. Those institutions gave courses in mechanical drawing and mathematics. To develop character, resourcefulness, and initiative, the company encouraged the apprentices to take part in its athletic activities, to participate in the shop cooperative savings and insurance plan, and to read technical periodicals and trade papers. Supplemental instruction in the form of lectures by men outside the company's organization gave the apprentices a knowledge of subjects of general interest.

Prior to 1919, the Tuckerman Machinery Company never had experienced difficulty in recruiting boys for the various apprentice courses. The company had been accustomed to keep on file a waiting list of all applicants and to assign a specific date upon which each boy was to enter his chosen course. In 1919, however, the company became aware of a shortage in foundry apprentices. This shortage continued through December, 1924. Most of the applicants did not want to enter the foundry course and of those who did a majority quit within the first two weeks. During the period from 1919 to 1924 the company had resorted to training older men in molding and core making. Older men made satisfactory workmen, but they were not sufficiently interested to take the apprentice courses. Exhibit 2 shows the number of boys who entered the courses for molders and core makers, the number who failed to complete the courses, and the number who graduated, over a period of six years.

All cast-iron parts for the machines manufactured by the company were cast in its foundry. The major operations in that department, which employed approximately 350 men, were mold-

EXHIBIT 2

NUMBER OF FOUNDRY APPRENTICES OF TUCKERMAN MACHINERY
COMPANY ENROLLING, LEAVING, AND GRADUATING
1919-1924

	NUMBER OF APPRENTICES		
	Started	Left	Graduated
1919			
Molders.....	20	13	1
Core makers.....	2	1	3
1920			
Molders.....	18	13	2
Core makers.....	2	0	0
1921			
Molders.....	1	1	1
Core makers.....	1	1	1
1922			
Molders.....	0	0	2
Core makers.....	2	2	0
1923			
Molders.....	11	7	1
Core makers.....	11	11	0
1924*			
Molders.....	14	9	2
Core makers.....	8	3	1

*First nine months.

ing, core making, melting, pouring, and cleaning. The mold and the core formed the matrix from which the cast iron took its shape. The mold provided the external form and the core the internal. Molds were impressed in the molding sand from standard wood or metal patterns manufactured by the pattern makers from blue prints of drawings issued by the engineering department. Both the molds and the cores were made from a suitable grade of prepared sand moistened sufficiently to hold the shape impressed in it by the pattern. The molds were made in two parts: the lower part or "drag" and the upper or "cope," the two together being called a "flask," and having the form of a double rectangular frame of wood or metal doweled together, with no top or bottom. Small molds were prepared by machine, the pattern being clamped to the base of the machine. The operator placed the drag (or cope) of a flask of the proper size in a horizontal position over the drag (or cope) pattern, and dumped in

the sand. A hand lever or a foot pedal released a flat rectangular iron slab, operated by compressed air, which pressed the sand into the half flask from above, to form the mold desired. The worker then released the slab and removed the flask. The sand, because of its dampness and because of the pressure of the slab, remained in the flask with the mold all formed, including core prints to locate cores. Large molds were made entirely by hand on the floor of the foundry and were moved around by the use of overhead cranes. Small molds of parts not numerous enough to justify machine molding were made by hand on benches. The second half or cope of each mold was made in the same manner as the drag, except that in it was left or cut a small hole or "sprue," through which the iron was to be poured. The bottom half or drag of the mold was laid on the floor face up. Helpers placed the core in the core prints in this half of the mold and then clamped the top half or cope on top of it ready for the molten iron to be poured in.

Molten iron was produced from pig iron, coke, and limestone. Those three constituents were charged into the cupola furnace at the top and ignited, and a blast of air was blown in from the bottom. The combustion melted the iron, which flowed to the bottom of the furnace. The impurities such as the ash of the coke were removed by the limestone, which formed with them a fusible slag floating on the top of the iron. The iron then was drawn off from the furnace.

The molten iron was distributed to the different sections of the foundry in crucibles called "ladles" running on overhead monorails. The iron was delivered to men equipped with small hand ladles who poured it into the molds. A mold was allowed to stand until the metal had set and wholly or partly cooled, then it was broken apart and the casting removed. Small molds stood only half an hour; large molds, such as those for the frame of a machine, were poured in the afternoon and allowed to stand until the next day before the casting was removed. After the casting had cooled, it was cleaned and chipped or ground. Small castings were put on a revolving table and passed under a sand blast; another method of cleaning was to put them into a drum containing small metal slugs. The drum was revolved and the castings were cleaned by striking against one another and by the abrasive action of the slugs. Roughness on castings was ground

off on grinding wheels. Large castings were cleaned by hand and any roughness removed by a compressed air chipper. Some castings were cleaned in part by "pickling" in vats of diluted sulphuric acid.

Because of the nature of the operations, working conditions in the foundry were not so pleasant as in other departments of the plant. The work involved the handling of sand, bars of pig iron, iron scrap, coke, and limestone, and was so dirty that the workers made a complete change of outer garments in the morning before beginning work and at night before going home. Much of the work was heavy, particularly the carrying of flasks of sand from the molding bench to a point near the monorails. There was always a danger of molten iron splashing and the remote possibility of crane chains parting. During the melting of the metal, the furnaces gave off obnoxious smelling gases and smoke. The company, however, always had maintained as good working conditions as possible. A cement floor in all parts of the foundry eliminated dust to a large extent and an adequate system of ventilation removed gases and smoke. Shower baths were provided for the employees.

The company had analyzed the situation in regard to the dearth of foundry apprentices. The apprentice supervisor questioned all boys who were dissatisfied with the foundry courses. He learned that the boys believed that the work was too hard and dirty. Work in the other apprentice courses was cleaner and did not require the occasional heavy lifting that foundry work involved. Apprentices in other than the foundry course did not have to make a complete change of outer garments; they merely put on overalls and jumpers over their street clothes. There were no dust and fumes in the other departments where apprentices were trained.

The company believed, however, that it was foundry conditions in the industry as a whole that kept boys from choosing foundry work as a trade. A large number of foundries were built directly on a hard dirt floor and many of them did not provide shower baths for the workers. Those conditions had become generally known and boys preferred either "white collar" jobs or apprenticeships in the machinists' trades. The high wages in the building trades appealed to boys just out of school. A boy could learn enough of the carpentry trade in six months to be in a

position to earn \$7 or \$8 a day. With the activity in building, particularly in 1923 and 1924, opportunities in that industry were numerous and boys frequently took advantage of them.

It was the opinion of the factory superintendent that the blame for lack of workers in the foundry industry could be placed on all companies which operated foundries with poor working conditions. He believed that better conditions throughout the industry would break down the antipathy to foundry work which boys just out of school felt. The National Metal Trades Association had succeeded in pointing out the trouble to foundries in the Milwaukee district, with the result that radical changes for the better had been made in working conditions there. The results obtained were reflected in an immediate increase in the number of boys who took up foundry work as a trade.

The company decided to continue its foundry apprentice course. It believed that the caliber of the men who had graduated from its courses in foundry work was such as to warrant a concerted attempt to recruit additional boys. In December, 1924, the apprentice supervisor made visits to several neighboring cities and enrolled 25 boys for the course in foundry molding. He allowed the parents to visit the plant and view the working conditions.

The shortage of foundry labor did not continue into 1925. In the summer and fall of that year the company obtained foundry apprentices without resorting to personal solicitation or advertising.

COMMENTARY: The practices of this company in its apprentice courses were the results of many years of thoughtful experiment. A number of points in the case deserve special stress.

The preliminary trial period allowed the apprentice and the employer to try the relationship before definitely engaging upon a four-year venture. The preliminary examination tested the previous training of the boy, and his service during the probationary term permitted the general supervisor to judge the boy's capacity and seriousness of intent.

Youths with foresight are the ones to whom an apprenticeship course appeals; nevertheless, it is desirable that they should regard each day's work as a step toward competency. To this end, a carefully devised course schedule is essential.

The subject matter and the practices of a trade must be subdivided and the elements graded in the order of their difficulty. Related sub-

ject matter, enabling the apprentice to understand the manual practice of the craft, should be taught, so that he may become not only a capable manipulator of materials and machinery, but an intelligent mechanic.

An apprentice's wages should be advanced as he progresses in his course. The starting rate should bear a relation to the journeyman's wage current in the community. A common ratio is $33\frac{1}{3}\%$ to 40% of that rate. The revision of the apprentice's wage may occur semi-annually or even quarterly. Some firms have lost apprentices in the third or fourth year of training because the young men sought to obtain journeymen's wages elsewhere. A correcting influence may be supplied by requiring a boy to deposit a fee, the return of which is conditioned upon his successfully fulfilling the terms of the apprenticeship contract. The probationary period established by this company, which permits the apprentice to earn this deposit prior to the drawing of the indenture, is a novel and praiseworthy device.

The indenture serves a moral purpose primarily. Enforced specific performance is not contemplated. The indenture evidences serious intent and states specifically the terms of apprenticeship.

The opportunity to earn higher wages through occasional assignment to piecework operations approximates the practice of the shop. On the other hand, it may cause the boys to dislike assignments to new machines. It is a temptation to the employer to use his apprentices on productive work, knowing that thereby no immediate financial loss is suffered by them; yet, if persisted in, this practice disrupts the apprentice course. An advanced hourly rating for boys demonstrating unusual qualities is to be indorsed. Exceptional performance may be rewarded also by affording apprentices opportunities to learn additional varieties of work.

September, 1925

J. W. R.

DAVIS TELEPHONE AND TELEGRAPH COMPANY¹

PUBLIC UTILITY

EMPLOYEE TRAINING—*Correspondence vs. Classroom Instruction.* A telephone company, whose force was widely scattered, planned to offer technical instruction courses for plant maintenance employees. To carry out this program, the company established training classes. The company decided that classroom instruction, although more expensive than correspondence courses, would sustain interest more effectively and result in a larger percentage of graduates than would instruction by correspondence.

(1922)

Because of the growing complexity of the technical features of the telephone industry, the Davis Telephone and Telegraph Company had instituted a number of training courses for its employees. Courses were conducted for new telephone operators in the traffic department and for new technical college graduates in the plant department, for example. The classroom method of instruction was used in these courses. In 1922, the company decided to inaugurate employee training courses for men who did maintenance work in the plant department. The management recognized that the courses could be given either by personal instruction or by correspondence, and deliberated as to which of those two methods to use.

The plant department was responsible for the maintenance of central office and inside equipment, such as switchboards, test boards, and telephone repeaters, and for the construction and maintenance of outside plant, such as open wire pole lines and cable lines.

The plant department was divided geographically into five divisions, which were subdivided into districts. The several thousand men employed in the plant department were of two classes. About two-thirds of the men were engaged in clerical, maintenance, or other operating work at division headquarters and in the districts. The other one-third did outside plant construction work. The company intended to offer the new training courses only to men of the first group. Those employees, as a rule, had not gone beyond the second or third year in high school.

¹ Fictitious name.

The Davis Telephone and Telegraph Company had a supervisor of instruction with a staff of five men at the general office. The supervisor of instruction proposed to offer three courses to the maintenance employees of the plant department: one course in elements of electricity applied to telephone work; another in telephone transmission; and a third in plant administration. The first two courses dealt with the technical phases of the company's work, and the last dwelt chiefly with organization, routine practices, and accounting principles. It had been decided to limit courses of instruction given by the company to those pertaining directly to telephone work. The management believed that it was not the function of an industrial company to give instruction in the more liberal subjects, such as mathematics, economics, English, and physics. The company was prepared to digress from this general policy to a limited extent in individual cases, however, if such a step appeared necessary in order to make the courses effective. For example, the two technical courses which the company expected to offer in the plant department assumed a knowledge of mathematics. The company believed, therefore, that it would be necessary to give some of the employees who wished to take those courses supplementary lessons in mathematics, the number of lessons depending upon the employees' previous training in that subject.

Enrollment in the courses was to be voluntary. Employees were to be allowed to take all three courses, but not more than one course at a time. The course in elements of electricity applied to telephone work was a prerequisite to the course in telephone transmission. The course in plant administration was more general than the other two and had no prerequisites. The instruction season was to extend from September of one year to June of the following year. Each course would last about two seasons.

If the classroom method of instruction were to be used, classes in each course would be held one evening each week at division or district offices, depending upon which offices were most convenient for assembling the classes. Employees enrolled in a course would receive material written in lecture form with problems appended; they would return their solutions to the problems to the general office each week for correction and suggestion. Employees would attend classes on their own time.

The correspondence method of instruction would be less expensive than the classroom method. It was estimated that all the work involved in giving the courses by correspondence could be performed by the supervisor of instruction and a staff of 8 men. No representatives of this department would be required in the division or district offices. If the classroom method of instruction were to be used, the management believed that a supervisor of instruction and a staff of 4 men at the main office and about 10 full-time representatives in the division and district offices would be necessary. In addition, about 125 employees of the company would act as volunteer instructors without pay for their services. The company estimated that the cost per student per course, if this method were used, would be about \$30.

If the employees were to be trained by correspondence, the instruction given would be uniform; all the employees would receive the same problem material and all their work would be corrected and graded at the general office. Under the classroom method, the instruction in each class would be given by different men. Although instructors would be under the general supervision of the company's educational representatives, it was probable that some would be more competent than others and that their standards for grading papers would vary.

It would be necessary to use company employees as instructors under the classroom method, because the expense would prohibit the employment of outside assistants qualified to give the highly specialized training which the courses demanded. The officials of the company recognized that it might not always be possible to find competent instructors among the employees.

On the other hand, men who had not gone farther than high school in education were not accustomed to study without direct supervision. The management believed that the students would learn more in the classroom, because of the opportunity for discussion and the assistance given by the instructor, than they would by correspondence. The classroom method would establish a definite "pace" for the student's progress. Moreover, since employees who were to serve as instructors would have to be well prepared, they also would benefit from the courses.

Records of correspondence schools indicated that comparatively few of the students who began correspondence courses completed them. The company learned that in one large corre-

spondence school, in which the paid-up students constituted about two-thirds of the total number enrolled, only 12% of the paid-up students finished their courses. The officials thought that the experience of correspondence schools would be borne out in the company if the correspondence method of instruction were to be used. They believed that while the total expenditure under the correspondence method of instruction would be smaller than under the classroom method, the expense per course per student completing the instruction program would be greater.

The company decided to use the classroom method of instruction for maintenance employees in the plant department, since it believed that more men would complete the courses if this method were used than if instruction were given by correspondence.

Exhibit 1 shows a cumulative analysis, for two instruction seasons, of the course on the elements of electricity applied to telephone work. Part I of this course was composed of 14 lessons with problems. This part with laboratory assignments took about 9 months for its completion. Part II consisted of 9 more

EXHIBIT 1

CUMULATIVE ANALYSIS OF TRAINING COURSE IN DAVIS TELEPHONE
AND TELEGRAPH COMPANY, FOR TWO SEASONS,
1922-23 AND 1923-24

Division	Total Enrollment	Number Completing	Present Enrollment	Number with Work up to Date	Total Lectures Given	Percentage of Present Enrollment with Work up to Date	Percentage of Total Enrollment Retained
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PART I

I	228	157	0	..	277	...	69
II	355	223	6	2	382	33	65
III	135	85	4	4	253	100	66
IV	774	330	27	21	635	78	46
V	155	75	11	10	153	91	56
All Divisions	1,647	870	48	37	1,700	77	56

PART II

I	166	120	19	6	151	32	84
II	135	98	13	1	137	8	82
III	92	50	9	6	116	67	64
IV	269	164	60	53	200	88	83
V	56	21	29	17	32	59	89
All Divisions	718	453	130	83	636	64	81

difficult lessons, and, with the accompanying laboratory work, also took about one season for completion. During the two seasons, 1,647 employees enrolled for this course; of that number, 870, or 52%, completed the first part, which was a prerequisite to Part II. Of the 870 students completing Part I, 718 reenrolled for Part II, and of these, 453, or 63%, completed the instruction. Of the men who did not finish the course, 178 reenrolled in one of the two parts for the following season. In addition to the students, about 125 instructors had mastered the course in order to teach it properly.

COMMENTARY: The company's analysis of this issue was, briefly, that correspondence courses had merit in that they provided standard instruction material and permitted uniform grading; also in that they could be given at less expense per student, notwithstanding employment of a competent centralized instruction and grading staff. Classroom discussion, on the other hand, afforded students personal assistance and the opportunity for discussion of problems; it established a pace, benefited a large number of volunteer instructors, and was expected to yield a substantially greater percentage of graduates than the correspondence method.

The company's decision indicates that the major consideration was not the cost of training per student, but the number of men who would complete the courses creditably.

It is probable, although this point is not raised in the case, that the method of instruction selected would affect the content of the courses. The same course scarcely would be given by both classroom and correspondence methods. Given the same body of students, a technical correspondence course could not deal with as intricate matters as could a classroom course, in which the instructor in person could give demonstrations before the students.

The company properly gave minor weight to the advantage of standardized grading possessed by correspondence courses. Although such gradings permit comparisons between all students at a given stage of the same course, the primary interest in most courses is not the accuracy of relative rank but the development of the students.

One advantage of correspondence instruction is that it can progress according to the capacity and diligence of the individual. Classroom instruction must be geared to the ability and energy of the typical student. This point is of small consequence, however, in cases like the present one, in which the company is more interested in having a group of men well trained than in the rapid advancement of a few individuals of exceptional ability.

This point leads to the matter of the "mortality" in groups taught by correspondence as contrasted with that in groups given personal instruction. Why are membership and interest sustained by the classroom method? There is, under that method, personal interpretation of material, a ready opportunity to ask questions and to clear up misunderstandings, and a chance for student discussion. As stated by the company, the classroom method establishes a pace, and the individual is spurred to keep in step with the rest of the group. Perhaps the most vexing problem of correspondence instruction is that of maintaining the resolution of the enrolled student to go ahead with prescribed tasks and complete his course. In classroom work the backslider is known to his fellows, and there is an element of sportsmanship in continuing the work of the course.

A company facing the issue of this case would have to decide whether many of the employees eligible for training were isolated to such a degree that classes large enough to afford interesting discussion could be run only at excessive cost.

Other decisions of the company in this case merit attention. Both students and company contributed to the training courses for their mutual advantage; the student gave his time and effort without pay; the company furnished instruction. The individual was not permitted to overload himself with courses. Indulgence of that kind often results in a high percentage of students who fail to complete a course and who subsequently refuse to reenroll. In industrial training ventures it is desirable to provide employees with a continuous opportunity for further training. This company's series of courses, requiring several years for completion, afforded a succession of goals for the enterprising student. The company did not consider itself obligated to establish classes in subjects not closely related to its work.

The case permits the inference that no promises were made to students that advancement would follow the satisfactory completion of a course. Advancement should depend upon achievement in actual service, not in courses taken. This policy ought to have been understood by each registrant. On the other hand, those in charge of instruction should have been deemed incompetent if their courses did not improve substantially the value to the company of the students who completed the educational work.

October, 1925

J. W. R.

CLARK COMPANY¹

MANUFACTURER—STATIONERS' SUPPLIES

DISCIPLINE ENFORCEMENT—*Measures to Reduce Tardiness.* A company manufacturing stationers' supplies, after experiencing excessive tardiness on the part of its employees, closed the plant entrances at starting time. This compelled tardy employees to enter the factory through the employment department, where they were interviewed. This scheme reduced tardiness to one-eighth its former proportion, but increased absenteeism. The company desired a less costly solution of the tardiness problem.

(1920)

In 1920 the Clark Company, a manufacturer of stationers' supplies, experienced an increase in tardiness among its employees, a large percentage of whom were girls and women. Many of those who were late came into the plant within a few minutes after starting time. In order to discourage tardiness among its employees, the company decided to close the gates of the plant promptly at the starting whistle and to have members of the employment department, through which tardy employees would have to pass, interview all employees who arrived after the gates had been closed. Employees who had satisfactory excuses were permitted to go to work without further discussion. If an employee had no satisfactory excuse to offer, the employment department called the proper foreman by telephone and advised him of the situation.

This policy reduced the number of tardy employees from 40 or 50 a day to 5 or 6 a day. Records of absenteeism showed, however, that after this ruling was put into effect an increased number of employees stayed away from work for half-day periods.

The company desired a method which would check tardiness without increasing the number of half-day absences.

COMMENTARY: The solution adopted by this company to correct excessive tardiness was costly. The tardy employees who were interviewed were not producing at that time. Even if paid by the piece-rate system their machines were idle, and the company sustained higher overhead costs, if not higher direct-labor costs. More serious, however,

¹ Fictitious name.

was the unforeseen effect of the rule, namely, that employees remained away from work an entire half-day in order to avoid the interview in the employment office.

Before adopting measures to correct tardiness, it is advisable to study the extent of and reasons for lateness among employees, to appraise the seriousness of the problem, and to devise measures that will be corrective.

Tardy employees may be divided roughly into two classes, those occasionally tardy and those chronically tardy. The person who is tardy upon rare occasions is affronted by a procedure similar to that established by the Clark Company and it does no good in his case.

The chronically tardy employee must be dealt with on the basis of his or her record of delinquency. Under the Clark Company's plan, the employment department had to have records of the tardiness of all employees. The employment manager dealt with individuals whom he knew but slightly. The process was time consuming.

In this case the company might advantageously have decided as follows: to admit tardy employees at the regular entrance, but to require them to sign "late slips" stating name and department. The time of reporting could be stamped or written upon the slip by the door attendant. The employee, after signing the late slip, should report immediately to the regular workplace. The late slips should be forwarded to the foremen. Departmental tardiness reports might be made out fortnightly or monthly by the timekeeper. These reports would list individuals who had been tardy; with each person's name would be recorded the number of times that person had been tardy and the aggregate time lost on account of lateness.

This suggestion intends that discipline be imposed by the foreman. He should know whether the late comer is in the "occasional" or "chronic" class. The foreman can modify his bearing accordingly. Little time is wasted; corrective measures are fitted to the individual case.

November, 1925

J. W. R.

DURHAM COMPANY¹

MANUFACTURER—METAL PRODUCTS

HIRING—*Means of Preventing Employment of Excessive Numbers.* When increased production was demanded by the major executives of a company manufacturing metal products, foremen tended to build up departmental labor reserves. One method of doing so was to rehire returning absentees whose places had been filled during their absence. To prevent the resulting accumulation of excessive numbers on the pay roll, the company required foremen, in requisitioning labor from the employment department, to submit the requisitions to their immediate superiors for approval.

DISCIPLINE ENFORCEMENT—*Control Over Reemployment of Absentees.* The company had allowed absent employees returning within a week to go directly to their departments and register on their time cards. That procedure did not discourage absenteeism and during a period of prosperity resulted in an excessive number of employees on the pay roll, since the foremen tended to retain such returning absentees even though their places had been filled during their absence. As a corrective, the company removed the time cards of absentees from the racks on the first day of absence. Each absentee returning subsequently had to interview the employment manager before obtaining a new time card. The employment manager privately inquired of the foreman whether the absentee still was needed.

(1920)

The Durham Company, in a posted bulletin, had asked its employees who were absent or who intended to be absent to notify the labor department of the expected length of their absence. The labor department was to relay the information to foremen and assist the foremen in filling vacancies. Few employees, however, acted on the request in the bulletin.

Foremen, not knowing whether absentees would return, frequently asked the labor department to hire other men. Many absentees eventually returned, and then the foremen tried to keep both old and new employees, because labor was scarce and there was a high rate of turnover at the time. The general officers were demanding increased production; hence, foremen did not want to be short of workers in their departments. The labor manager believed that the absentee problem had not been treated

¹ Fictitious name.

properly, and that the existing practice led to "padding" the pay roll.

The company employed 3,000 workers; it was located in a large eastern industrial city. It manufactured products having wood and metal parts, which were processed in a number of departments and finally assembled. A central planning office routed and scheduled work to the several departments, but department superintendents assigned tasks on various lots within the department. In assigning work to individuals the department superintendents and foremen were hampered by the high absentee rate existing at the time.

Early in 1920, plenty of jobs were available, and men frequently took time off to hunt other work or to attend ball games. It was impossible to tell any man hired to fill a vacancy, that he would be released in case the regular employee returned.

Employees were obliged to register their attendance upon time cards which were changed each week. A man who had been absent for one or two days could come into the plant, register at the time clock, and report for work. No name was removed from the pay roll until the accounting department collected a time card at the end of a week and found it completely blank.

The labor manager had not made a systematic survey of the residences of the company's employees, but he knew that many of them lived several miles from its plant and spent more than half an hour daily coming to work by trolley. The company operated a restaurant for its employees.

To reduce the amount of absenteeism and to prevent the adding of superfluous men to the company's force, the labor manager proposed the following plan.

1. The manager was to post the following notice:

TO OUR EMPLOYEES: Every morning foremen have to reassign work because some men are absent without notice. If employees would tell foremen or the labor department when they expect to be absent, we could arrange to take care of their work better while they are away.

Employees frequently stay away from work for several days without letting the company hear from them. The company does not know whether to hire some one to take their places or to hold their positions open for them. Because the company must act promptly to fill vacancies, we ask employees who are absent, or who intend to be absent, to notify their foremen or the labor office,

or have some one do that for them, and tell us how long they expect to be away.

The time cards of absentees hereafter shall be taken from the racks, and men who have been absent shall be unable to resume work until they report at the employment office and there obtain a new time card.

If we fail to hear from any employee who is absent for three days, we shall regard him as having left our employ.

.....Manager

2. The interview at the time of the absentee's return to work was to afford the labor manager a chance to call the foreman and find out whether the absentee's place had been filled and, if so, whether the absentee was needed in the department.

3. Each morning, the accounting department was to remove from the racks time tickets that had not been registered. It was to prepare a list of the names on these cards and send a copy to the employment office. It was to hold the time cards pending orders from the employment office. All cards collected on any day were to be disposed of at the end of the second day thereafter. The employment office would notify the accounting department whether to retain the names of absentees on the pay roll or to drop them therefrom.

4. Foremen, in requisitioning labor, were to submit their requests to their immediate superiors for approval.

The labor manager's program was put into effect, and was reported to be an improvement upon the previous procedure.

COMMENTARY: This case illustrates an understandable tendency of the foreman to build up a labor reserve in his department during a period of labor shortage. The practice injures morale, however, for a foreman is likely to find difficulty in obtaining work of satisfactory quantity and quality from such extra employees. The poor attitude of those employees reacts upon that of the longer-service group. This temporary expedient becomes a troublesome measure and adds to the extraordinarily heavy burdens of the foreman at the time.

The specific plan advanced by the labor manager in this case was an improvement over the lax regulations that were effective previously. The plan provided some control over persons who returned to work after absences and placed a check upon any foreman who sought to build up a departmental labor reserve.

Under more normal conditions of the labor market this problem

would have been less serious. The turnover rate would have been lower and most of the absentees doubtless would have notified the company of the reasons for and the probable duration of their absences. Fewer people would have left the company without notice, as they would have anticipated using the company as a reference. Finally, if the Durham Company was a progressive employer, people leaving its employ during more normal conditions would not have wished to impair their chances for reemployment by quitting without notice.

January, 1927

J. W. R.

EVERETT WIRE COMPANY¹

MANUFACTURER—WIRE

ACCIDENT PREVENTION—*Installation of Safety Guards as Cause of Wage Increase.* After serious accidents had occurred upon its wire-reeling machinery, a wire manufacturing company installed guards which interfered somewhat with output. The eight operatives in charge of these machines were paid piece rates. They demanded that rates be increased 20% to offset the curtailment of production resulting from installation of the guards.

WAGES—*Increases Demanded Because of Installation of Safety Guards.* A wire manufacturing company installed upon its wire-reeling machinery safety guards which had to be removed from the machines by the operatives in order to correct defects in the material being processed. The eight men on this operation demanded a 20% increase in wages to offset the reduced production and commensurate loss of earnings. The men struck after failing to agree with the company upon a percentage increase.

HIRING—*Reemployment of Strikers.* Eight men employed by a wire manufacturing company demanded a 20% increase in piece rates to offset reduced production and commensurate loss of earnings resulting from the installation of mechanical guards on the machines in their charge. The men struck after failing to agree with the company upon a percentage increase. The company filled their places and paid the rates formerly effective. When the strikers applied for reemployment a week later, the company hired the three most efficient men in the group and discharged three of the least competent members of the new crew.

(1919)

After serious accidents had occurred upon the wire-reeling machines in the Everett Wire Company's plant, it installed mechanical guards which retarded somewhat the speed of the operatives in mending defects in the product. The eight operatives in charge of these machines were paid on a piece-rate basis. They asked that wage rates be increased 20% to offset the loss of production resulting from the installation of the guards.

These operatives were employed in a department which was manufacturing wire poultry netting. The netting was woven on looms, then galvanized, and finally inspected while being wound

¹ Fictitious name.

into reels containing 100 feet of netting. This last process was effected by two sets of rollers. The netting, tightly stretched, was made to pass between the rollers. A machine could be stopped instantly by the operator so that he could mend defects in the wire netting. Before the safety guards were installed, the machine tenders had frequently attempted to mend defects while the machines were operating. That practice had resulted in serious accidents.

In February, 1919, the Everett Wire Company had created a board of inquiry to investigate all accidents. The board fixed responsibility and made recommendations as to punishment and preventive measures. The board consisted of the employment manager, the superintendent of the plant, and the safety committee. The safety committee had been created the year before. It acted as a vigilance committee with advisory powers. Its membership included wage earners, foremen, and representatives of the management. At the time of this case, the company employed 3,500 workers.

Three months after the formation of the board of inquiry, an accident occurred in the poultry netting department. A worker, while mending netting, caught his hand in an opening in the netting and his hand was dragged between the rollers. Before the machine could be stopped his arm was broken. The case was heard as soon as the injured man was able to testify. The board, by unanimous vote, found that the company was to blame for not supplying a safety guard on the machine. The foreman explained that the necessity of a guard had long been apparent and that attempts had been made to devise something suitable. The difficulty in designing a guard had been that the devices developed to safeguard the operator shut off his vision and rendered it difficult for him to detect imperfections in the netting.

Three weeks later a similar accident occurred; another man broke his arm on one of the reeling machines. In the meantime, a model of a guard had been perfected by the master mechanic, who had become interested in the problem. This guard afforded complete protection and at the same time enabled the operator to see the netting as it passed from roller to roller. There had not been time, however, to have a pattern made so that the guard could be cast. The board of inquiry again held the company blamable for the accident.

Several weeks later the guards were installed. They were successful from the safety standpoint. They curtailed output somewhat, however, because an operator was forced to remove the guard in order to mend the netting. The operator then had to replace the guard before restarting the machine. The arrangement was such that the machine could not be set in motion until the guard was in position. The operators complained that the guards prevented them from processing the same amount of product as previously and demanded that the piece rate for this operation be increased. The company granted a 10% increase, but the workers demanded 20%. When the company refused that demand, the eight operatives struck.

The company had no difficulty in employing eight other men to replace them. At the end of one week, the new crew, in spite of the fact that two or three of the men were not satisfactory, was able to do the work required. Furthermore, the newcomers were being paid at the rate in effect before the installation of the guards.

During the course of the next week, the strikers reported at the employment office and asked to be rehired for their regular work.

The employment manager hired the three best men in the strikers' ranks and discharged the three least satisfactory members of the new crew. No change was made in the piece rate.

COMMENTARY: Neither side in this controversy rested its case on careful estimates. The employees made an arbitrary demand and the company's final action was the outcome of a test of strength. The company, after finding itself in a strong position, continued previously existing piece rates despite the fact that a new safety device interfered somewhat with production and, hence, tended to reduce earnings.

The outsider may question whether it would not have been worth while to attach automatic recording devices to these wire-reeling machines, either for temporary analysis or for continuous reports. Had that been economically practicable, the company would have known the number and duration of periods during which the machines were stopped. The evidence would have indicated the result of defects upon theoretical maximum earnings of the machine tenders. The time consumed in removing and installing the new safety guard should have been estimated by time study. On the basis of these data, the company should have revised the piece rates of these machine tenders in a scientific manner.

This controversy seems to have been largely the result of inadequate information concerning operations and inability on the company's part to predict the effect of a change in processing methods. Important also was the desire among the eight employees to win a concession by resort to ultimatum and force. Often this tendency on the part of the employees, however, reflects examples set by the company.

The method of replacing the strikers was advantageous from the company's standpoint. The company was able to reemploy the three most competent experienced workers, yet it guarded against intimidation of the new men by keeping the latter in a majority in the department. In view of the attitude of the eight strikers, their demand for reemployment as a group could not have been granted, lest they should attempt to dictate the conduct of affairs in the department thereafter.

February, 1926

J. W. R.

NESDAY CHEMICAL COMPANY¹

MANUFACTURER—ELECTROCHEMICAL PRODUCTS

VACATIONS—*Vacation Plan for Wage Earners Developed.* In 1920 a company manufacturing electrochemical products considered a request from employees at one of its 12 plants that vacations with pay be granted to wage-earning employees continuously employed more than 3 years. The company, giving chief weight to the health factors involved, decided to outline a vacation plan but left its adoption, in whole or in part, at any plant to the discretion of local superintendents. The plan was adopted gradually and with changes in the several plants.

VACATIONS—*Vacation Plan for Wage Earners Retained.* In 1923 a company manufacturing electrochemical products wished to find out whether a vacation plan which it gradually had installed in its 12 plants was working successfully and should be continued. The replies of the plant superintendents to a central office questionnaire uniformly favored continuing the plan. The gross expense of the plan was approximately \$43 per vacationist per annum, but that tangible outlay was deemed by the company's executives to be more than outweighed by its intangible advantages, which were held to be improved employee health and applied energy, greater average length of service of employees, more regular attendance, and improved employee good will.

(1920-1923-1926)

Before 1920 the Nesday Chemical Company had not allowed vacations with pay to its factory employees. The company manufactured a variety of electrochemical products. Some of these were solids and fluids packed in bulk; others were manufactured specialties. The products were manufactured in 12 plants ranging in number of workers from 50 to 2,000. These establishments were located in communities of different types. One plant, for example, was located in an industrial center which manufactured chiefly electrochemical products. Another was in a small community where mining was the chief occupation. In some plants raw materials were fused, refined, compressed, or refrigerated; in others they were machined and assembled into specialty products. Buyers of some of the company's products were large manufacturers, railroads, and construction companies; buyers of others of its products were individual consumers who obtained its wares from neighborhood retailers.

¹ Fictitious name.

In 1920 a small committee of employees at one plant having approximately 1,500 employees requested that vacations with pay be given by the company to employees who had had several years' continuous service. This committee was organized under an informal plan of employee representation. The plant at which the request was made was the only one owned by the company at which any scheme of employee representation was in effect. The superintendent to whom this request was made asked the members of the committee to appoint a subcommittee to draft a vacation proposal.

Some days later, the subcommittee suggested that employees with from three to five years' continuous service be granted one week's vacation with pay; that employees having from five to seven years' continuous service be granted ten days' vacation with pay; and that employees having seven years' continuous service or more be granted two weeks' vacation with pay. This recommendation was referred to the general executives of the company by the superintendent, who thought that any action upon the request would constitute a precedent of significance in any one of the company's plants. At the central office of the company the suggestion was given careful study and the company made a study of the experience of several other organizations with vacation plans.

The chief arguments of the men who advanced this request were that new employees who were being brought into the plant at that time (1920) were being given approximately the same wages and the same terms of employment as the employees who had rendered loyal service for a number of years. The proposal came from this latter group of employees, who felt that they were not being given the recognition that they deserved in view of their service and loyalty to the company. A second argument advanced by these employees was that the company gave vacations to its office employees and that there was no good reason for not extending vacations to the factory employees. The employees held that if the office group needed vacations the factory group did also.

Employees advanced the argument, moreover, that vacations would improve health and morale, and therefore working efficiency. In some of the company's producing departments electric furnaces imposed a severe physical strain upon the employees. In

other departments work was dusty; in some it was monotonous or involved the operation of dangerous and intricate machinery; and in still others workers were exposed to chemical fumes.

After studying the vacation proposal, the management concluded that it had merit. The officials recognized the validity of the health argument. In the matter of equal treatment of office and shop employees, the executives might have referred to other inequalities. For example, office workers were paid when absent on account of sickness, but, at the time, shop workers did not enjoy that privilege. Again, office workers received no pay for overtime work as did the factory workers. The management, however, did not refer to these facts.

The company previously had had in effect an attendance bonus plan, but because of its failure to accomplish sufficient improvement to justify the expense and difficulty of its administration, that plan had been discontinued. The company still wanted to attach some financial incentive to regular and punctual service, and it believed that such an incentive existed in a vacation plan which thus would reward both length of service and regularity of attendance. Finally, the company expected that a vacation plan would enhance employee good will and add to the company's reputation of fairness and progressiveness among the residents of the local communities in which the plants were operating.

While the company's executives were studying this proposal, the boom period of 1919-1920 came to a close and there was no further immediate need for measures that would attract labor or be an inducement to employees to continue their service with an employer. This changed condition of the labor market, of course, did not reduce the strength of the health argument in favor of a vacation plan or the potency of the argument that shop and office employees should be treated equally in the matter of vacations. The general executives decided to draw up a vacation plan which was to be optional with each plant superintendent as regards the time and extent of its application.

The plan provided, in brief, that vacations with pay were to be granted to wage-earning employees in accordance with length of continuous service and regularity of attendance. The minimum service which was necessary to qualify an employee for a vacation was three years. The lengths of vacation granted for the several periods of continuous service were adopted from the

suggestion of the employees' committee previously mentioned. In order to encourage regularity of attendance, the plan stated that one week's absence would not curtail the vacation period, but that if the number of working days lost by unexcused absence was in excess of one standard working week during the twelve months preceding the date of taking vacation, the excess number of those days of unexcused absences would be deducted from the vacation which otherwise the employee would enjoy.

Further, the plan provided that vacations should not be deferred from one year to the next, but were to be taken during the current year at a time to be approved by the superintendent. In arranging vacation schedules, it was recognized that there would be some conflict in the desires of individual employees for particular weeks during the vacation season. In case of conflict, the employee with the greater length of service was to be granted the vacation period of his choice. It was planned to schedule the vacations of married men with children during the school vacation period in so far as possible.

The plan gradually was installed during the following two or three years at all the company's plants. No sooner had it been established than detailed questions of administration began to arise. A question arose at an early date regarding the type of absences which should be excused or disregarded in calculating the deductions from scheduled vacations. It was decided that each absence as it occurred was to be noted as excused or unexcused. The employment manager and foreman usually were to decide this matter, but they could refer doubtful cases to the plant superintendent for final decision. Service records were to be maintained on which all absences were to be entered together with notations regarding their excusability. Absences were to be excused on account of sickness, accident, serious misfortune, lay-off due to operating conditions, and military service in time of war. The absentee was to be notified upon his return regarding the excusability of his absence.

So that production should not be seriously interfered with by vacations, the plan provided that the time of a vacation was to be approved by the plant superintendent. The superintendent's office, in arranging the vacation schedule and providing for substitutes, spread the vacation period over a number of months so that only a small proportion of men were on vacation during each

week. In some plants vacations were concentrated during slack seasons so that a full force would be on hand during the busy season. In many instances the older employees and even the employees whose period of service was insufficient to entitle them to a vacation were willing to work overtime in order that fellow employees entitled to vacations might obtain those vacations without subjecting the company to the necessity of hiring extra men. Some employees could take care of a vacationist's duties in addition to their own work by working with exceptional diligence. To replace men on vacations each superintendent found it necessary at times to transfer workers from one branch of his organization to another. Relatively few men were hired as extras to replace vacationists. This occurred in the case of people with special skill in small groups. It was particularly likely to occur in such cases as those of stationary firemen and engineers and tenders of a single unit of equipment in a small plant.

In view of the company's ability to transfer men to replace vacationists and because of the willingness of many of its new employees to perform the duties of a vacationist, the company thought that the wages paid the vacationists were not in total to be regarded as the net cost of the vacation plan. The company believed that the employees carried a certain amount of the financial burden of the vacation plan.

Another issue arose with regard to figuring continuous service. In several cases valued employees who had worked for the company for several years and had left voluntarily for good reasons had been rehired by the company within three months. When the vacation plan was put into effect, those employees asked that their brief period of employment elsewhere than with the company should not be regarded as a breach of continuous service, and their requests, after being referred to the general office, were made the subject of a ruling which permitted plant superintendents discretion in this matter.

Some employees who had been laid off several months wished to include the layoff period as a part of their service with the company. The company decided that a layoff period less than three consecutive months should be disregarded in figuring length of service, but that a layoff period in excess of three consecutive months was to be deducted from the employee's period of continuous service with the company.

In figuring deductions from scheduled vacations on grounds of absence in excess of one standard work week, it was necessary at an early date to define the standard work week. This was held to be the regular working week in the department employing the individual whose case was under consideration.

A further question arose as to whether deductions should be made from vacations to be given men who, in the 12 months prior to the scheduled vacation, had been laid off on account of operating conditions and who had returned to work when requested to do so by the company. It was decided that employees who were laid off during the 12 months prior to their vacation period should receive vacations with pay in approximate proportion to the time they had worked during that 12-month period. Thus, an employee who was laid off 4 months in one service year would be entitled to two-thirds of his scheduled vacation and would be paid while absent for that period. Since the layoff had been enforced on account of business conditions, the executives decided that the employee in such case should be privileged to absent himself for the total period of his scheduled vacation, but that if he took time off in excess of his "earned vacation," he would not be paid for such excess time. Thus an employee entitled to two weeks' vacation, but who had been laid off two months during the service year, would be paid for five-sixths of the working days in his vacation period but would have the privilege of taking the other sixth of this period at his own expense.

At first, the service of all employees was figured on a certain calendar date each year. A number of employees, however, who on that date lacked only a few weeks of either three, five, or seven years' continuous service protested against that practice, and the management decided to figure length of service of any employee to the date of his requested vacation when considering its approval and determining its length.

Some vacations were scheduled during weeks in which holidays occurred. The question arose whether men who were granted vacations during such weeks did not fare worse than employees whose vacations occurred during weeks not containing holidays. To prevent dissatisfaction on this score, and yet to maintain flexibility in drawing up the vacation schedule, it was decided that the plant superintendent should have an option to extend the vacation one day without pay, or to pay the worker for

an extra day but to grant to him only the scheduled vacation. The latter option made it easier to maintain a vacation schedule in line with calendar weeks and to man a plant in a period of labor shortage. Sundays were regarded as a part of the calendar week and not as holidays.

Wages paid to men on vacation were figured for the normal number of hours worked by the individual in his regular department. Overtime actually being worked in a department at the time of a vacation was disregarded. Had payments been made to vacationists in proportion to hours actually worked, the employees eligible for vacation would have wished vacations granted during the busiest seasons when overtime work was required. That would have been the least convenient time for the company to grant vacations to its workers. The management, on the other hand, did not wish to profit by the reverse application of such a rule by assigning vacations during months of slack operations. Such a practice would render employees antagonistic to the plan. The hourly rate paid to dayworkers on vacation was that in effect at the time the vacation was taken. Pieceworkers on vacation were paid a rate per hour which was the average of their earnings during the four weeks preceding the vacation period. In this calculation overtime compensation and hours were excluded. Payments to vacationists of the money due them for the vacation period were made in advance.

Approximately two years after the superintendents of the company began to adopt the vacation plan, the company's general office wished to find out whether the plan was working successfully and was to be continued. The central office sent a questionnaire on this subject to the plant superintendents. The replies of the superintendents were uniformly in favor of continuing the plan, which was said to improve health, reward length of service and regular attendance, improve employee morale and community relations, and reduce labor turnover. Records assembled at the central office indicated that one-third of the company's employees were receiving vacations under the plan. The gross cost of the plan was approximately \$43 per vacationist per annum. All this expense was not regarded by the company as the cost to it of a typical employee vacation because the work of many vacationists was done by fellow employees. Thus the company was saved the expense of hiring extra men. The execu-

tives unanimously were of the opinion that the intangible advantages of the plan outweighed its expense.

Subsequent inquiries made by a representative of the central office indicated that in 1926 the superintendents' opinions upon this subject had not changed.

COMMENTARY: The plan in this company is in most respects typical of provisions contained in plans of other companies where vacations with pay are granted to industrial workers. The problems of administration are also similar to those encountered in other industries.

The adoption of this plan in 1920 was coincident with a widespread development of paid vacations for wage earners following the World War. Very few cases existed in this country prior to 1918 in which factory employees received such privileges. Although the number of new plans in the period 1921-1925 was relatively small, there were few, if any, withdrawals of plans adopted in previous years. In 1926, vacations with pay were being granted by several hundred companies employing many hundreds of thousands of wage earners in a wide range of manufacturing industries. Perhaps 2,000,000 industrial workers in the United States would not be far from the number then enjoying paid vacations.

Thus, the single plan here described is but a part of a broad movement which has already assumed proportions comparable with the movements for the six-day week and the shorter working day. Coincident with these trends is the increased attention to the manner in which the leisure time of all industrial employees is spent and to the creation of desires and facilities for the constructive use of such leisure time. These social factors are, however, beyond the immediate interests in this case.

A point of special significance is that the particular plan here presented grew out of a request of the company's employees at one plant under a plan of employee representation and that the benefits of the plan were gradually extended throughout the company.

This is in marked contrast with the method of installing some of the earlier vacation plans in industry; namely, the working out of the provisions in final form before the employees knew anything about the plan. In those instances, the vacation with pay was extended as a gratuity by generous employers with little or no recognition of beneficial economic returns to the company. The tendency for employees to raise the question of vacations in recent years is further evidenced by the inclusion of provisions for paid vacations in a considerable number of union agreements in 1924, 1925, and 1926.

Not only did the request in the present case originate with the

employees but the detailed provisions of the plan were worked out jointly by the employees and management. Thus was assured the recognition of the interests of all affected by the plan. This joint action did not, however, interfere with the management functions of plant superintendents. Certain points, such as the matter of time of vacation periods, were left to the discretion of the local superintendents, who alone could decide such matters with a knowledge of their effect on production schedules and other local conditions.

The results of vacation plans for wage earners as they affect production efficiency and costs, employees' health, and general morale are yet measured largely by the opinions of those who have had experience with such plans. In time, careful analysis of the records of experience may provide more factual bases for their evaluation. Certainly the net cost is much less than the amount paid to workers while off their jobs. It is safe to conclude, however, from the overwhelming weight of opinion, that vacations with pay for industrial wage earners have become an accepted practice in industry.

July, 1926

G. A. B.

ALLEGHANY COMPANY¹

MANUFACTURER—METAL PRODUCTS

HIRING—*Dissatisfaction among Supervisors Caused by Reemployment of Workers.* A worker of 30 years' service left a manufacturing company's employ because of an unexplained reassignment which he deemed unjust, and because of the loss of wages resulting from an order made effective without his knowledge. After quitting, he spread stories of the unfair treatment he had received from the company. The superintendent, upon investigation, decided to reemploy this worker and found work for him in a third department. Thereupon, the foreman in whose department the worker previously had been employed wished to resign. Other foremen were in sympathy with this foreman's position and they became antagonistic to the superintendent.

(1915)

A worker of 30 years' service with the Alleghany Company, a metal-manufacturing plant employing 3,500 people, left the company's employ because of an unexplained reassignment which he deemed unjust, and because of loss of wages resulting from an order made effective without his knowledge. After quitting, he spread stories of the unfair treatment he had received from the company. The superintendent, upon investigation, decided to reemploy this worker and found work for him in a third department. Thereupon, the foreman in whose department the worker formerly had been employed wished to resign. Other foremen were in sympathy with this foreman's position and they became antagonistic to the superintendent. The superintendent wished to be just to the worker, yet he did not wish to strain his relations with the junior executives.

The stories spread by this worker, whose name was Wilkes, had reached the superintendent of the plant indirectly. The superintendent believed that Wilkes was spreading stories of unjust treatment wherever possible. The superintendent assigned his assistant to the case, and the assistant interviewed Wilkes at the latter's home.

In this interview it appeared that Wilkes had two definite grievances against the company. In the first place, he said that he had been transferred from one department to another,

¹ Fictitious name.

although another employee of only a few months' service had been allowed to remain in the first department. Wilkes' second grievance was that the foreman in the department to which he had been reassigned had not notified him of an important wage ruling and that, as a result, he had suffered an excessive loss of wages. In explanation of this grievance, Wilkes said that one Wednesday morning the men near him told him to hurry in setting up his frame or he would not make his regular wages that week. He regarded their statements as merely of a joking nature until he opened his pay envelope on Saturday. "Then," said Wilkes, "I got through," meaning that he quit the employ of the company immediately. Finally, Wilkes said that the foreman in the wire department to which he had been assigned was prejudiced against him from the start and consequently had "nagged" him.

The superintendent's assistant tried to learn the extent of truth in these charges. As regards the transfer, he found that Wilkes was transferred from his old department because work was slack in it. He was not discriminated against in favor of men who had been in the employ of the company for a few months. Some men were retained at the time in the "old department" because work there was thought to be temporary. Later, most of those men were discharged. The superintendent had told the foreman of that department, Elkins, to "look out for the long-service men." Elkins, therefore, had arranged to transfer Wilkes to the wire department in charge of Oakes.

In the matter of the wage ruling, the assistant found that the executives had thought that the wire drawers had wasted time in setting up their frames. The superintendent had approved a ruling which stated that wire drawers should not be paid for time spent in setting up their frames, but that they were to be paid for the production of the frames. Oakes had told the wire drawers of this order verbally on Monday morning.

Oakes, when questioned, was not positive that he had told Wilkes of the ruling regarding nonpayment for time spent by wire drawers in setting up frames. Oakes said that he had gone from one man to another and had made the announcement. He doubted if any one had been missed, but he was not able to make an absolute statement. Oakes, considered one of the best foremen in the works, denied that he had been hectoring Wilkes.

The assistant then questioned Wilkes again and found that Wilkes had not reported until 11 o'clock on the last Monday he worked at the company's plant. His wife had been ill at that time.

The assistant talked to other foremen under whom Wilkes had worked during his 30 years of service with the company. The assistant was unable to find any instance of trouble between Wilkes and his superiors or fellow workers. The assistant reported his findings to the superintendent.

The superintendent decided to reemploy Wilkes. It was necessary, however, to hire Wilkes in another department for temporary work until he could be reassigned to the wire-drawing department. Accordingly, the assistant was asked to see a third foreman, March, who was hiring men at the time. The assistant told March about the Wilkes case and a day later introduced Wilkes to March, who employed Wilkes. March then told Oakes that he, March, had hired Wilkes "at the suggestion of the office." On learning about this, Oakes came to the superintendent and said that he wished to resign. March and Elkins, Oakes said, were in sympathy with his position. The superintendent argued with Oakes and then called in March and Elkins. Their position was that Wilkes' reemployment was bound to impair the authority of other foremen in the plant and that it would destroy Oakes' authority in his department. March and Elkins were unusually reticent in making statements in this interview. The superintendent asked Oakes to reconsider his resignation for a day or two and promised to find a way out of the difficulty that would not reduce the authority of the foremen in the plant.

News of the case spread among the foremen in a few hours, and they were disturbed as a result of it. They were displeased with the reinstatement of Wilkes; they were antagonistic to the superintendent.

COMMENTARY: The general impression created by this case is that the company's method of dealing with workmen's grievances at the time was not well organized. Wilkes' grievances were really the result of misunderstandings. He had not been victimized or unjustly treated; he merely had not been told of the reasons for certain orders which directly affected him. In the first place, Elkins, who transferred him, had not explained the reasons for the transfer, and then Oakes, under

unusual circumstances, had failed to inform Wilkes of the pay ruling concerning the time spent in setting up wire frames.

After reassignment to the wire-drawing department, Wilkes probably was disgruntled. Perhaps Oakes had to call him to task. We are informed that Oakes was one of the best foremen in the plant; presumably he was careful to obtain diligent service from his subordinates. Wilkes would have interpreted any comment of this kind, however, as an additional personal injustice. Had Wilkes understood the reason for his reassignment, his behavior in Oakes' department probably would have been more satisfactory. Oakes probably would have had no occasion to reprimand Wilkes and, hence, the charge made by Wilkes regarding hectoring by Oakes would not have been made.

It appears that the superintendent's action in arranging independently for Wilkes' reemployment was an error. The superintendent should have taken no action in this case beyond its investigation until he had consulted with the foremen concerned. Wilkes had spread stories and therefore had done damage to the company which he would not correct. His reemployment by the superintendent might be taken as an admission of junior executive errors.

The foremen in this case feared that Wilkes would repeat the stories of his "unjust" treatment. Had Wilkes done so, his stories certainly would have had an adverse effect upon the supervisors' morale and authority. Both foremen were irritated by the superintendent's reemployment of Wilkes, arranged without consulting them, because of the interpretation unfavorable to them which could be placed upon it. They questioned whether the superintendent was not undermining their positions. The case emphasizes again the need in reemploying a worker of getting the views of the immediate superior under whom he worked previously.²

Had the company employed a representative at the time whose duty was to interview persons leaving its employ, that official might have adjusted this case. The company did not ask Wilkes for his story. Uncorrected misunderstandings caused him to quit work and to voice resentment against this employer.

After establishing the facts in this case, and in view of the executive relationships which apparently existed, the superintendent should have requested Oakes to interview Wilkes and explain the matters concerning which there was a misunderstanding. Because Wilkes had left without making his grievances known and because he then had spread stories of injustice received from the company, the company was not obligated to rehire him immediately in case his position in the wire department had been filled. Oakes, however, might have offered

² See Peters Company, page 74.

to reemploy him when a vacancy occurred. Had Wilkes gone back to work under Oakes, that fact would have been tangible evidence that Wilkes' opinion of the company had changed from that expressed in the stories. It must be admitted, however, that the supervisory organization was partly responsible for those stories.

March, 1926

J. W. R.

CURACOA RUBBER COMPANY¹

MANUFACTURER—RUBBER SHOES AND TIRES

PRODUCTION CONTROL—*Production Standards Set by Time Studies.* A company manufacturing rubber shoes and tires wished to introduce a modified form of the piece-rate system into its heat-treating department, where the work consisted of loading shoes into heating cars and of unloading the shoes after a period of heat treating. The amount of work involved in loading and in unloading cars was identical. The unloading process was divided into six elements, and time studies were made of each element. The average time for one element was computed by finding the modal figure; for the other elements, which did not yield a distinct mode, arithmetic averages were computed. On the basis of these averages, after taking into consideration delay allowance factors, a standard time was set for the whole operation.

WAGES—*Change from Day Rate to Piece Rate.* After standards for the operations of its heat-treating department had been set by means of time studies, a company manufacturing rubber shoes and tires changed the department from a day-rate basis to a modified piece-rate basis, which was expected to increase the workers' daily earnings. Workers previously had been paid 50 cents an hour. Under the new system, they were guaranteed a basic rate of 48 cents an hour, and were to receive that rate or their piece-rate earnings, whichever were higher.

PRODUCTION STANDARDS—*Agreement as to Revision.* When a company manufacturing rubber shoes and tires adopted a modified piece-rate system in its heat-treating department, it set work standards on the basis of time studies. The standards were guaranteed against revision unless the process was changed. Whenever improvements in the process constituted an actual departure from the methods timed, the company retimed the operation as revised and set a new standard.

(1924)

The Curacóa Rubber Company wished to extend a modified form of the piece-rate system to a department in which tennis shoes were heat-treated.

This step was decided upon in 1924 as a part of a program to introduce a modified form of piecework in a number of departments in the Curacoa Rubber Company's plant, which theretofore had been upon a daywork basis. The company manufactured tires, tennis shoes, and several other lines of rubber goods. The plant was located in a large eastern industrial cen-

¹ Fictitious name.

ter and employed approximately 5,000 workers. The tennis shoe manufacturing capacity of the plant was limited by the equipment in the heat-treating department for tennis shoes. The manufacturing capacity in other departments working upon tennis shoes could be expanded by increasing the labor force in those departments, as that work was done by hand. The aim of the company in establishing the new wage system in the heat-treating department for tennis shoes was to cause the vulcanizers in that department to be used more intensively by the workmen in the department.

The wage-payment system adopted by the company was a modification of the ordinary piece-rate plan. Workers were guaranteed a basic day rate and received either their day-rate or their piece-rate earnings, whichever totaled the more. Whenever a worker's production exceeded the established standard, he received three-fourths of the normal piece rate for units produced in excess of the standard. Standards were obtained by timing operations with a stop watch.

The company's practice in making time studies was, in the main, to time the existing practice. When, however, the engineer making the studies noted obvious inefficiencies, he asked the workmen to correct their methods prior to the final timing of the work. When standards were set, the workmen were assured that the standards would not be revised unless the process was changed. The company found that the incentive plan induced foremen and employees themselves to devise better methods.

These changes frequently enabled a group of workmen to increase their earnings beyond the sums normally earned by other workmen of the same grade. Whenever improvements in the process constituted a real departure from methods that were timed in the setting of the existing standard, the company retimed the operation as revised and set a new standard. In that process, however, the company endeavored to compensate the men for improving their methods. On the other hand, it was necessary to maintain a rough parity between the earnings of employees of the same grade, to avoid dissatisfaction and friction between them.

After the time-study department had fixed a standard, the standard was referred to the proper line executive for acceptance. At times, line executives refused to accept a standard set by the

time-study department. In that event they were not allowed to apply any other standard but had to use a time wage until some agreement was reached on the standard in dispute. Standards accepted by line executives were put into effect as administrative orders. No shop-committee system was in effect in the plant of the Curacoa Rubber Company, and no workers' committees reviewed the standards set by the time-study department before those standards were applied.

In the manufacture of rubber shoes, the uppers were stretched on lasts and the soft rubber soles were cemented to the uppers.

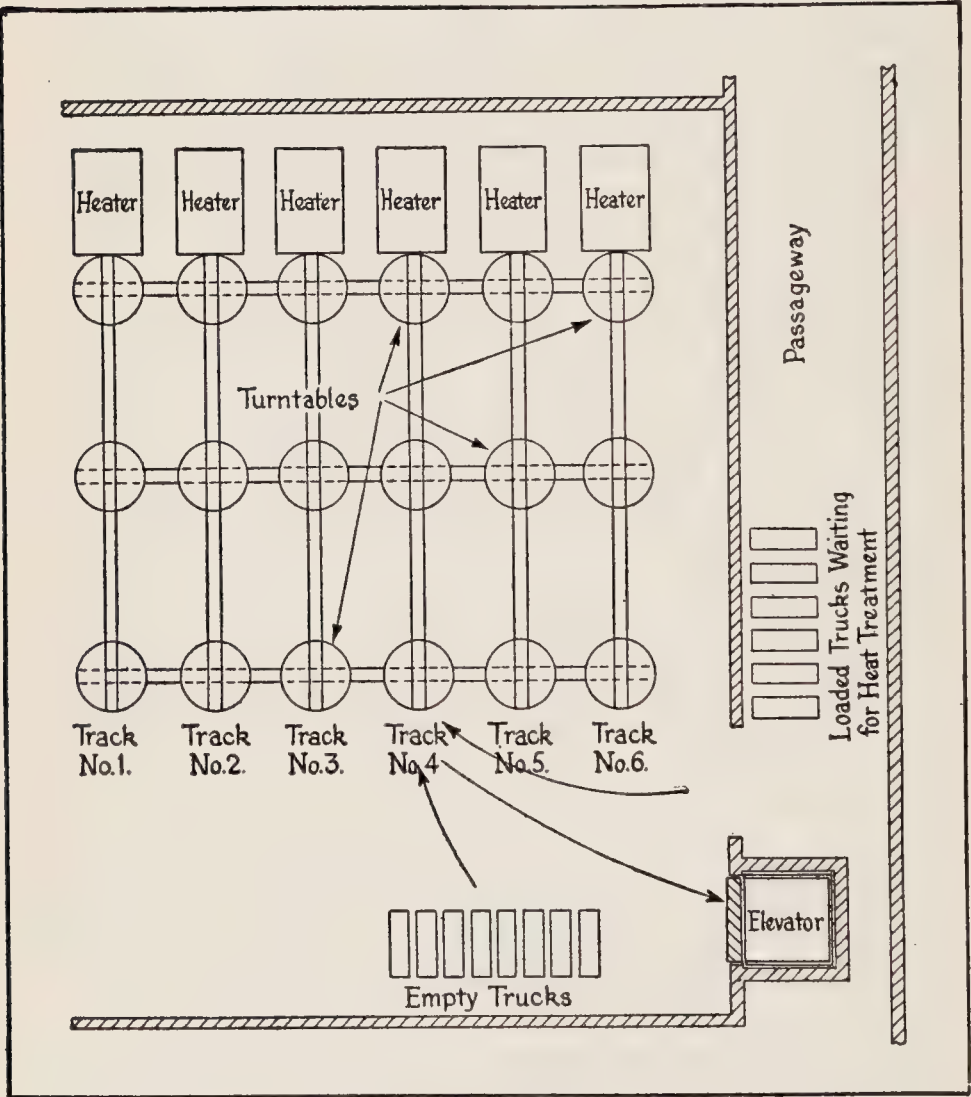


Exhibit 1: Layout of heat-treating department—Curacoa Rubber Company.

The shoes then were vulcanized in the heat-treating department. The period of vulcanization varied from one to five hours, depending upon specifications drawn up by the company's laboratory. The average time of the "heat" was two hours. There were six "heaters" in this department. The number of pairs of shoes which could be manufactured during a day depended also upon the length of the heats. There had been four men and a foreman in this department; these men worked singly.

Exhibit 1 shows the arrangement of the heat-treating depart-

EXHIBIT 2

PRELIMINARY TIME STUDY OF ELEMENTS A, B, C, D, AND E OF
UNLOADING PROCESS IN HEAT-TREATING DEPARTMENT OF
CURACOA RUBBER COMPANY

Curacao Rubber Company	Preliminary Study Sheet	No. 32364
Department Name: <i>Heater Building 19</i>	Date: <i>2/5/24</i>	Operation: <i>Unload cars of tennis and gummed shoes</i>
Type of Work: <i>Hand</i>	Operator: <i>189</i>	Sex: <i>Male</i>
	Observer: <i>M. T. M.</i>	Foreman: <i>S. N. C.</i>
Time Started: <i>4:20</i>	Time Stopped: <i>4:34</i>	Time Elapsed: <i>14 min.</i>

TIME FOR EACH ELEMENT RECORDED IN SECONDS

A	B	C						D	E	Misc.
Push Car Along Run	Get Empty Truck	Unload Bars from Car to Truck—Bar Number						Turn Truck	Push Truck to Elevator	
		1 7	2 8	3 9	4 10	5 11	6 12			
36	15	8	7	5	5	7	6	7		
		7	9	8	9	8	7		20	
	17	7	6	7	7	7	9	8		
		6	9	8	7	7	8		16	
40	10	9	7	7	9	6	10	6		
		10	8	9	9	8	7		15	
	13	11	9	8	7	8	10	6		
		8	8					Set truck aside		12
50	20	5	5	7	6	7	9	7		
		6	6	7	7	10	8		20	
	11	8	7	10	8	9	7	8		
		7						Push truck aside		20
126	86	92	81	76	74	77	81	42	71	32
481										

TIME ELAPSED

A—126 seconds

B— 86 seconds

C—481 seconds

D— 42 seconds

E— 71 seconds

Misc.— 32 seconds

60)838

13.97 minutes

NOTE: Read horizontally from left to right. Complete cycle is represented by two lines.

ment. The rubber shoes were transported from the making department to this department on trucks carrying 12 bars, each of which held from 4 to 8 pairs of shoes. This variation resulted from the different sizes of shoes held on the bars. Each side of the truck carried 6 bars, one above the other. The loaded

EXHIBIT 3

PRELIMINARY TIME STUDY OF ALL ELEMENTS OF UNLOADING PROCESS
IN HEAT-TREATING DEPARTMENT OF CURACOA RUBBER COMPANY

Curacoa Rubber Company		Preliminary Study Sheet		No. 32365	
Department Name: <i>Heater</i>		Date: <i>2/5/24</i>		Operation: <i>Unload cars of tennis and gummed shoes</i>	
Building <i>19</i>					
Type of Work: <i>Hand</i>		Operator: <i>193</i>		Sex: <i>Male</i>	
		Observer: <i>M. T. M.</i>		Foreman: <i>S. N. C.</i>	
Time Started: <i>2:27</i>		Time Stopped: <i>3:34</i>		Time Elapsed: <i>1 hour, 7 minutes</i>	

TIME FOR EACH ELEMENT RECORDED IN SECONDS

A	B	C						D	E	F	Misc.
Push Car Along Run	Get Empty Truck	Unload Bars from Car to Truck—Bar Number						Turn Truck	Push Truck to Ele- vator	Push Cars Off No. 4 Run	
		1 7	2 8	3 9	4 10	5 11	6 12				
28	16	9 8	8 7	10 6	10 8	9 8	8 9	10			
	16	8 9	9 11	8 8	8 10	7 10	7 9	6	24		
34	23	13 14	11 10	10 12	10 9	9 8	6 10	15	26		
	20	10 12	8 10	7 8	9 8	7 10	8 11	13	21		
20	28	11 8	8 6	9 6	7 8	6 10	7 12	13	24 40	32 70 2 cars	Move trucks 20 + 26
	40	10 11	8 10	7 9	7 10	6 8	7 8	11			
	36	8 8	8 9	10 10	9 8	10 9	10 7	13	33		Passage blocked 13
	20	7 6	8 8	10 7	12 11	7 10	9 9	8	34		Move truck to next car 11
28	23	13 8	11 6	10 13	12 7	7 8	9 10		22		
26	24	6 8	8 9	8 9	7 11	8 12	8 10	11	18	36	Run blocked 33
38	31	9 7	8 9	7 9	8 8	8 7	8 8	7	16		
35	16	10 9	11 8	7 9	9 9	11 8	8 10	8	21		
	18	8 11	10 10	7 8	9 11	8 10	10 13	10	24	28	
34	22	10 8	8 7	6 8	7 8	6 7	7 8	9	27		
	27	8 7	7 8	8 8	7 10	8 8	9 10		21		
		8 9	9 8	8 7	7 8	8 10	9 10	10	24		
277	360	274	261	253	266	249	265	152	375	166	102

trucks were taken off the elevator and stored in the passageway adjoining the heat-treating department until a heater was ready for filling. An inspector made a notation of the number of each lot and the time at which it was taken into the treating room.

The men in the heat-treating department transferred the bars to specially constructed cars which later were run into the

EXHIBIT 3 (*Continued*)PRELIMINARY TIME STUDY OF ALL ELEMENTS OF UNLOADING PROCESS
IN HEAT-TREATING DEPARTMENT OF CURACOA RUBBER COMPANY

Curacoa Rubber Company	Preliminary Study Sheet	No. 32365
Department Name: <i>Heater Building 19</i>	Date: <i>2/5/24</i>	Operation: <i>Unload cars of tennis and gummed shoes</i>
Type of Work: <i>Hand</i>	Operator: <i>193</i>	Sex: <i>Male</i>
	Observer: <i>M. T. M.</i>	Foreman: <i>S. N. C.</i>
Time started: <i>2:27</i>	Time Stopped: <i>3:34</i>	Time Elapsed: <i>1 hour, 7 minutes</i>

TIME FOR EACH ELEMENT RECORDED IN SECONDS

A	B	C						D	E	F	Misc.
Push Car Along Run	Get Empty Truck	Unload Bars from Car to Truck—Bar Number						Turn Truck	Push Truck to Elevator	Push Cars Off No. 4 Run	
		1 7	2 8	3 9	4 10	5 11	6 12				
38	18	7	6	8	8	7	8	11			
		7	8	7	7	8	10		20	12	
	13	8	8	7	6	7	8	7			
		9	8	10	13	9	11		22		
35	21	6	5	7	9	8	10	9			
		7	8	9	8	7	9		22		
	13	6	8	7	6	8	6	8			
		7	7	8	9	7	7		19	43	
26	15	7	8	8	7	8	8	7			
		9	7	8	9	8	9		16		
	12	7	6	10	9	10	12	9			
		10	9	10	9	8	7		18	31	Pick up shoe 8
99	92	90	88	99	100	95	105	51	117	86	8
277	360	274	261	253	266	249	265	152	375	166	102
376	452	364	349	352	366	344	370	203	492	252	110

2145

TIME ELAPSED

A— 376 seconds
 B— 452 seconds
 C— 2145 seconds
 D— 203 seconds
 E— 492 seconds
 F— 252 seconds
 Misc.— 110 seconds

60)4030

67 minutes

NOTE: Read horizontally from left to right. Complete cycle is represented by two lines.

heaters. There were three cars to each heater. Each car held on the average 2 truck loads or 24 bars. The trucks were similar to those used elsewhere in the plant for transporting shoes. The cars, which were run on tracks in the heat-treating department, were designed only for use in connection with the heaters.

After bars of shoes had been transferred to a car, the car was pushed into the heater. After the heater was filled, the door was closed and live steam was admitted into the heater for a designated length of time. At the conclusion of that period, the heater door was reopened, the cars were withdrawn, the bars they contained were transferred back to trucks, and the trucks were pushed to the elevator. The inspector noted the lot numbers and the time at which the trucks left the heating room.

Since the amount of work involved in loading and in unloading

EXHIBIT 4

PRELIMINARY TIME STUDY OF ELEMENT C OF UNLOADING PROCESS
IN HEAT-TREATING DEPARTMENT OF CURACOA RUBBER COMPANY

Curacoa Rubber Company	Preliminary Study Sheet	No. 32366
Department Name: <i>Heater</i> <i>Building 19</i>	Date: <i>2/7/24</i>	Operation: <i>Unload cars of</i> <i>tennis and gummed shoes</i>
Type of Work: <i>Hand</i>	Operator: <i>198</i>	Sex: <i>Male</i>
	Observer: <i>M. T. M.</i>	Foreman: <i>S. N. C.</i>
Time Started: <i>10:34</i>	Time Stopped: <i>10:47</i>	Time Elapsed: <i>13 min.</i>

TIME FOR ELEMENT C RECORDED IN SECONDS

Unload Bars from Car to Truck—Bar Number						
1 7	2 8	3 9	4 10	5 11	6 12	Total
9	7	8	12	9	10	55
7	6	13	10	7	8	51
11	9	12	8	9	9	58
7	10	8	5	11	18	59
10	11	9	8	9	6	53
8	7	5	10	11	10	51
7	10	13	10	7	14	61
9	12	15	11	9	10	66
8	7	5	9	10	13	52
10	8	8	7	12	9	54
15	12	8	9	10	13	67
9	11	10	10	11	12	63
18	7	8	7	13	14	67
128	117	122	116	128	146	757

TIME ELAPSED

60)757 seconds

12.6 minutes

NOTE: Read horizontally from left to right. Complete cycle is represented by two lines.

cars was identical, it was decided to make a time study of the unloading process and to use the standards thereby determined for both loading and unloading. In making this time study, the engineer divided the operations into six elements:

- (A) Pushing the car along track from the heater;
- (B) Getting an empty truck from the rear of the room;
- (C) Unloading the bars from the car to the truck;
- (D) Turning the truck;
- (E) Pushing the loaded truck to the elevator;
- (F) Pushing the empty car off the run onto another track by means of the turntable.

Although there were but four workmen employed in the department, the engineer decided to time three of them. These men differed in ability. The results of these studies are shown in Exhibits 2, 3, and 4. Exhibit 2 represents a time study of elements A, B, C, D, and E; Exhibit 3 of all elements; and Exhibit 4 of element C only. In making the studies the engineer snapped back the watch hand to zero after timing each element. He verified these element readings by contrasting them with total elapsed time for the operation, read from an ordinary timepiece.

Since each car contained two truck loads, element A occurred only for every other truck. Element B occurred for every truck. Element C was the time taken in transferring bars. After six bars had been removed from one side of a truck, the truck was turned, element D, and then six more bars were unloaded before the truck was pushed to the elevator, element E.

EXHIBIT 5

DELAY ALLOWANCE FACTORS FOR ELEMENTS OF UNLOADING PROCESS
IN HEAT-TREATING DEPARTMENT OF CURACOA
RUBBER COMPANY

Elements	Allowance Factors
A	1.45
B	1.35
C { Study No. 32364.....	1.60
{ Study No. 32365.....	1.40
{ Study No. 32366.....	1.30
D	1.05
E	1.35
F	1.25

EXHIBIT 6

COMPUTATION OF ARITHMETIC AVERAGES FOR ELEMENTS A, B, D, E,
AND F OF PRELIMINARY TIME STUDIES NO. 32364 AND NO. 32365
IN HEAT-TREATING DEPARTMENT OF CURACOA RUBBER
COMPANY

(Time given in seconds)

A	B	D	E	F
50	40	15	40	43
40	36	13	34	36
38	31	13	33	35
38	28	13	27	35
36	27	11	26	32
35	24	11	24	31
35	23	11	24	28
34	23	10	24	12
34	22	10	24	
34	21	10	22	8)252
28	20	9	22	31.5
28	20	9	22	
26	20	9	21	
26	18	8	21	21)252
20	18	8	21	12
	17	8	20	
15)502	16	8	20	
33.5	16	8	20	
	16	8	20	
27)502	15	7	19	
18.6	15	7	18	
	13	7	18	
	13	7	16	
	13	7	16	
	12	6	16	
	11	6	15	
	10	6	12	
	27)538	27)245	27)595	
	19.9	9.1	22.0	

Although not all trucks were uniformly loaded, and therefore a standard for unloading or loading a truck would be applicable only over a series of truck handlings, the engineer decided to determine the average time of unloading or loading a truck from the trucks handled during the period of the time studies. This standard would fit in well with the other elements studied, which had reference to the handling of the trucks. The additional cost of having an inspector note the number of bars on each truck was thought to be unwarranted.

Because of the fatigue involved and the knack required in unloading bars, it was decided to apply a separate delay allow-

EXHIBIT 7

SELECTION OF MODAL FIGURE FOR ELEMENT C OF UNLOADING PROCESS
IN HEAT-TREATING DEPARTMENT OF CURACOA RUBBER COMPANY

Sec- onds	Preliminary Study No. 32364	Sec- onds	Preliminary Study No. 32365	Sec- onds	Preliminary Study No. 32366		
3		3	x	3			
4		4		4			
5	xxxx	5	x	5	xxx		
6	xxxxx xx	6	xxxxx xxxxx xxxxx xxxx	6	xx		
7	xxxxx xxxxx xxxxx xxxxx x	7	xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxx	7	xxxxx xxxxx x		
8	xxxxx xxxxx xxxx	8	xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xx	8	xxxxx xxxxx x		
9	xxxxx xxxxx x	9	xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xx	9	xxxxx xxxxx xxx		
10	xxxxx	10	xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxxx xxxx	10	xxxxx xxxxx xxxx		
11	x	11	xxxxx xxxxx xxx	11	xxxxx xx		
12		12	xxxxx xx	12	xxxxx x		
13		13	xxxxx	13	xxxxx		
14		14	x	14	xx		
15		15		15	xx		
Mode=7			Mode=8			16	
						17	
						18	xx
						<div>7×11=77</div> <div>8×11=88</div> <div>9×13=117</div> <div>10×14=140</div> <div>49)422</div> <div>8.6</div>	

ance to each study of element C. In the case of the other elements, the engineer decided that the operations required so little skill that only one delay allowance would be used for each. In the computation of the averages for the elements other than C, preliminary time studies No. 32364 and No. 32365 were combined. The delay allowances for each element as selected by the engineer are given in Exhibit 5.

After the stop-watch times had been recorded and the delay allowances figured for each element, the next task of the time-study observer was to determine the standard time for each element. In the determination of the average, abnormal time records were not discarded, because the engineer believed that a complete picture should be presented. The minimum time for each element was not taken as the standard, inasmuch as a worker could not be expected to attain it normally. The modal

group was considered representative in case a large number of observations were taken upon the same element. With the exception of element C, however, there were not sufficient observations in the studies to yield a distinct mode. The median was thought to give insufficient weight to the extreme items. From the results of the time studies, arithmetic averages were computed for all the elements except C, and the modal figure was computed for element C. These computations are shown in Exhibits 6, 7, 8, and 9.

While the number of trucks loaded in the preliminary time studies No. 32364 and No. 32365 was 27, only 15 times were recorded for element A, since there were approximately two truck loads of bars on each car. The total time was divided by 27 to give the average time per truck. Since element F occurred only in preliminary time study No. 32365, where there were only 21

EXHIBIT 8

COMPUTATION OF STANDARD TIMES FOR EACH ELEMENT OF UNLOADING PROCESS, INCLUDING DELAY ALLOWANCE FACTORS, IN HEAT-TREATING DEPARTMENT OF CURACOA RUBBER COMPANY

ELEMENT A	Average = 18.6 seconds	$S = \frac{18.6}{60} \times 1.45 = .45 \text{ minutes}$
ELEMENT B	Average = 19.9 seconds	$S = \frac{19.9}{60} \times 1.35 = .45 \text{ minutes}$
ELEMENT C*	Mode No. 32364	$S = \frac{12 \times 7}{60} \times 1.60 = 2.24 \text{ minutes}$
	No. 32365	$S = \frac{12 \times 8}{60} \times 1.40 = 2.24 \text{ minutes}$
	No. 32366	$S = \frac{12 \times 8.6}{60} \times 1.30 = 2.24 \text{ minutes}$
ELEMENT D	Average = 9.1 seconds	$S = \frac{9.1}{60} \times 1.05 = .16 \text{ minutes}$
ELEMENT E	Average = 22 seconds	$S = \frac{22}{60} \times 1.35 = .50 \text{ minutes}$
ELEMENT F	Average = 12 seconds	$S = \frac{12}{60} \times 1.25 = .25 \text{ minutes}$

*Mode only basis used for element C.

EXHIBIT 9

SUMMARY OF STANDARD TIMES FOR ELEMENTS OF UNLOADING PROCESS
IN HEAT-TREATING DEPARTMENT OF CURACOA RUBBER COMPANY

Element	Per Car (Minutes)	Per Truck (Minutes)
A. Push car along run.....	.45	....
B. Get empty truck.....	...	.45
C. Load one truck from car.....	...	2.24
D. Turn truck around.....	...	.16
E. Push truck to elevator.....	...	.50
F. Push car away.....	.25	....
	<hr/>	<hr/>
To unload car (load two trucks).....	.70	3.35
To handle car (including unloading).....	...	6.70
To unload heater (handling three cars).....	...	.70 plus 6.70 = 7.40
		22.20

trucks, the average for that element was derived by dividing the total time by 21.

Since the unit used in element C was a bar, in the computation of the standard time for that element the average time as figured from the mode was multiplied by 12 in order to get a truck load as a unit. In preliminary time study No. 32366 there was no distinct mode, and an arithmetic average was taken of the 7-, 8-, 9-, and 10-second groups. This average also was multiplied by 12.

The standard for unloading a car was set at 7.40 minutes, the figure derived from the use of the arithmetic averages for elements other than C and the use of the modal figure for element C.

The men in this department had been paid 50 cents an hour on daywork. In guaranteeing the time rate under the new system, the company believed that 48 cents an hour, or a reduction of 2 cents, would be justified, as it was expected that under the premium system the men would earn more than 50 cents. Within a month the men were earning 60 cents an hour. The foreman was transferred to another department because the four workmen were able to take over his duties.

COMMENTARY: In this case equipment performance was regulated by technical requirements. The efficiency of labor in handling equipment was the variable factor.

As a basic wage per hour was guaranteed, the incentive force of the new system, which was intended to improve labor efficiency, was to depend largely upon the employees' faith that the piece rates would

not be cut. The circumstances outlined in the case, however, cause doubt regarding this important point.

When existing practice is studied for purposes of rate setting, the standards frequently cause difficulties in their operation. It can be assumed that the efficiency of existing practice in various operations is not uniform. Therefore, the workers, induced by piece rates to improve existing practice, have unequal opportunities to effect such improvement, and their several earnings become out of line unless they are careful to restrict output. If the earnings do get out of line, the company, in the words of the case, has "to maintain a rough parity between these employees' earnings," and this usually involves rate cutting, more or less disguised in nature. In this event, the inducement for the workers to improve their methods becomes negligible. If the workers have to restrict output to prevent their earnings from getting out of line, their attitude of mind becomes harmful to the company and prevents them from enjoying the satisfaction arising from doing work well.

It would seem best in a case of this kind for the management first to improve the methods of doing the work, then to train the operators in those standard methods; this procedure would necessarily involve some extra supervisory effort and expense. Only after these steps are taken should the management apply a standard time system. Thereafter it may be assumed that improved efficiency in the department is chiefly the result of workers' efforts and that those efforts can be rewarded in proportion to the increased output of the department.

To pay but three-fourths the piece rate for work above standard is not justifiable unless the base rate is above the market rate for comparable labor. In producing a unit of surplus production the worker certainly expends as much effort as he would expend in producing a unit of standard output. Furthermore, the company, in obtaining surplus production, gains by an almost proportionate reduction in overhead expense per unit of product. For these reasons the piece rate ordinarily should not be reduced when a worker produces output beyond the required standard.

The company's endeavor to compensate men for improving their methods in consequence of this wage plan would seem to lead to difficulties. In view of the lack of standardization of operating conditions, the workmen, as has been mentioned, would be compensated to some extent in proportion to the relative inefficiency of the management in their respective departments prior to the setting of standards.

The company conserved the responsibility of its line officials by not permitting standards to be installed unless those standards had the foremen's approval. This part of the wage policy is to be endorsed.

In timing work the practice of snapping the watch back to zero after timing each element is questionable because some workers believe that thus some elapsed time is missed in the readings. This belief renders the time-study man's work more difficult. Some time-study men, moreover, believe that by taking readings with the watch running continuously they can record more easily the duration of delays and of variations.

The case is instructive in pointing out the merit and demerit of the several mathematical methods of determining standard times from time-study data. A method that gives weight to extreme items is appropriate in the event that standard conditions are not closely approximated. But, in that event, the standards set should be established only on a tentative basis and should be used only by the management in improving methods and not as the bases of wage calculation.

It is difficult to believe that 4 men were necessary in this department. We learn that the average time of a heat was 2 hours. In a normal workday of 8 or 9 hours there would be approximately 24 heats. The standard time for loading and unloading a heater was between 44 and 45 minutes. (To load 3 cars, 22.2 minutes; to unload 3 cars, 22.2 minutes.) Eighteen man-hours would be required to do this work 24 times ($24 \times [45 \div 60] = 18$). This calculation disregards overlappings resulting from the concurrent terminations of 2 or more heats. Would not 2 men and a working supervisor, capable of scheduling heats efficiently, have been able to do the work of this department? This would make available a 33% excess man-capacity to take care of overlappings and emergencies.

Circumstances can be visualized in which it would be advantageous for two of the men to work together in unloading or loading cars. To obtain this cooperation it might have been desirable to install group piece rates rather than continue to calculate piece-rate earnings upon an individual basis.

The Curacoa Rubber Company should have endeavored to improve the handling methods in this department, perhaps by providing detachable truck bodies which could be transferred, when loaded, to a heater-car. In any case, the company should have provided extra sets of cars in the heater room. The workers then could have loaded these in advance of the emptying of the heaters. The recharging of a heater could have been done in a few moments and thus each heater would have been in use the maximum length of time during the working day. The employees, moreover, could have regularized their work by having available extra cars which they could load or unload in the intervals between the work of recharging heaters.

March, 1927

J. W. R.

SCARBOROUGH MILLS¹

MANUFACTURER

HIRING—*Reemployment of Strikers.* After the 15 men in the yard crew of a manufacturing company had struck rather than have their work time-studied, the general manager offered them an opportunity to return to work the next morning and submit to time studies, but stated that any man who did not report at that time would be refused employment by the company thereafter. Three men who reported at the stated time were rehired. Five other men reported for work several days later. The manager, then in need of laborers for the yard crew, had to decide whether to rehire these five men.

(1922)

The Scarborough Mills, a manufacturing company, was establishing production standards for the tasks performed by its construction men. Time studies showed the times necessary to do various jobs, and the men were paid bonuses for completing tasks in less than the stipulated time. The bonuses were equal to one-half the earnings at regular rates for time saved.

Many of the construction men already were being paid according to the bonus system. The company had made numerous time studies for the purpose. One Thursday afternoon 15 men in the yard crew were unloading from freight cars cement which was to be used in the construction of an extension of the plant. A time-study man approached the group and told them that he was going to study them for purposes of placing them upon the bonus system. About 2 o'clock he took out his stop watch and began to make notations. Two of the men quit work at once and after some argument they persuaded the rest of the crew to stop also.

The time-study man pointed out the advantages which the employees in other parts of the plant had obtained from the time study and bonus system, and asked the yard crew if they did not want to make more money. The men were surly and said little except that many things would happen before they would consent to have time studies made. When the foreman of the yard crew appeared, he told the men that they were in danger of being discharged if they did not submit to time study. They

¹ Fictitious name.

laughed, however, and reminded him of the times in past years when men had been "fired" and paid off on Thursday afternoon, including the two weeks' pay always held back, only to be hired again on Friday morning or whenever they chose to apply for work. The men said they would come back to work as soon as the time-study man left.

At 3 o'clock, when it was evident that the men were determined to maintain their position, the foreman and time clerk notified the superintendent of the construction department. Realizing that the trouble was serious, the superintendent at once reported the matter to the general manager, who recently had replaced a former general manager because of a growing spirit of insubordination among the employees. At 3:30, when the general manager arrived at the yard, he found the men hard at work unloading cement. In reply to his question as to what was the trouble, the men said that everything was all right and that they would remain at work as long as no attempt was made to make time studies of them. Although these men were high-class, English-speaking laborers, the only reasons that they gave for refusing to work under time-study observation were that they did not care to have any young college man around holding a stop watch on them and that they were working hard enough already. They admitted, however, that many of the employees in other parts of the plant seemed to think well of the bonus system.

The general manager replied that he was going to have time studies made of the yard crew's tasks even if he had to do it himself. Taking out his watch, he told the men to begin work. This they refused to do, but said that they would start as soon as he put away his watch. The general manager told them that as soon as they began work the time study would begin too. At 4 o'clock, when the men still refused to start, he told them all to go home and think it over until the next morning. He said that the men who came back to work then would lose no time, but that any man who did not report by 7:30 the next morning could never again work for the Scarborough plant.

Three of the men reported at 7 o'clock the next morning and were again put to work unloading cement. The following Monday when five of the others reported to the employment office, the employment manager told them that he had received strict instructions from the general manager not to hire them under

any circumstances, but that as men were needed urgently, they might ask the general manager directly what he would do for them. The five men went into the general manager's office, where they told him that they were now perfectly willing to cooperate in the time studies and that they would not have thought of striking had it not been for the two men who quit first and persuaded the rest to do likewise. One of the five claimed that he had intended to come back Friday morning, but had caught a heavy cold and had not been able to leave his home until Saturday afternoon.

The general manager had to decide what action to take in the case of these five strikers. No decision has been reported by the company for this case.

COMMENTARY: This company had placed most of its employees upon some system of incentive wage payment. Construction work, however, is difficult to place upon an incentive wage-payment basis because of its nonrepetitive nature and the many variables surrounding it; hence, it would be left until last in the process of applying work standards and the bonus system. While the incentive wage payment was a part of the company's policy, it was important that no collective action should be tolerated that would discredit the system. We are informed that a spirit of insubordination had grown in the plant under a previous manager. The new manager was desirous of preventing any further growth of this spirit.

When the men first refused to work under the observation of the time-study man, the latter explained the merits of that system to them. The general manager again discussed the system with them. The ring-leaders and perhaps some of the other members of the crew were not amenable to explanation, but had formed a prejudice against the system.

In striking, these men indulged in direct pressure to influence the management's production methods. Had the management submitted to this coercion, the precedent would have weakened subsequent efforts to maintain the incentive wage system. Since the employees applied coercion, the management had no alternative, but had to meet it in the same manner.

The manager did the correct thing in asking the men to go home when they were at a point of emotional stress, so that they could think over the situation more calmly. The time limit compelled the men to make up their minds promptly. Because the manager made the unreserved statement that men who refused to return to work the following day would not again be employed by the company, he had tied his

hands on this point. In the interest of discipline enforcement he had to refuse employment to the five men who reported for work on Monday morning. The man who offered illness as an excuse did not deserve special treatment. The morning after the strike he could have sent a message to the employment office stating his desire to return to work.

January, 1926

J. W. R.

BERWICK MANUFACTURING COMPANY¹

MANUFACTURER—METAL PRODUCTS

WORKING CONDITIONS—*Classification of Irregularities Interfering with Employees' Output.* As an aid to improving working conditions so as to avoid needless restrictions on pieceworkers' output, a metal manufacturing company operating several plants decided to classify all irregularities which the management could expect to control.

WORKING CONDITIONS—*Improvement Stimulated by Wage Allowances to Pieceworkers for Time Lost.* A metal manufacturing company, in order to stimulate managerial improvement of irregularities in working conditions which interfered with production and also increased costs, adopted a system of paying pieceworkers allowances for time lost because of such irregularities. Responsibility for authorizing these allowances was placed upon immediate superiors who, therefore, would seek to prevent the existence of unstandardized conditions.

WAGES—*Standardization of Allowances to Pieceworkers to Compensate for Irregular Working Conditions.* A metal manufacturing company operating branch factories had been obliged to make frequent temporary wage adjustments with its pieceworkers because their output was curtailed by irregularities in working conditions beyond their control. After studying the causes of such irregularities, the company decided to adopt uniform bases of pay for work done under the various classes of unstandardized conditions.

COST ACCOUNTS—*Costs of Irregular Working Conditions Segregated.* A metal manufacturing company with branch factories established a system of allowances to be paid to pieceworkers in recognition of the losses in wages caused by unstandardized working conditions. After reasons for the authorizations of allowances were classified, it was decided that those allowances should be segregated in the cost accounts so as to facilitate control.

(1922)

The Berwick Manufacturing Company paid its direct labor, with few exceptions, according to the piecework system. The company had been obliged frequently to make adjustments with workers who had shown that standard working conditions had not been maintained. Such adjustments in wages had not been made according to definite rules, and in May, 1922, the managerial council of the company referred this problem to the company's industrial relations advisor. The council expected him

¹ Fictitious name.

to recommend rules governing the granting of allowances to pieceworkers.

The company owned a number of manufacturing plants located in various parts of the country. For several years prior to 1922, the company had applied time-study methods in establishing production standards, but in 1922 there were still many rates in effect that had not been established by time-study methods. Tasks which the officials thought would be performed but seldom, had been priced in some cases by reference to piece rates for somewhat similar work. Time studies had been made for new tasks which were to be performed repeatedly. Work paid for under the piece-rate system was inspected, and the inspection system attempted to place responsibility for defective processing upon the individuals at fault.

In 1919 the company had established a shop committee system under which employees elected representatives empowered to discuss with plant officials questions of wages, working conditions, and disciplinary measures. During its first three years, the system had been found helpful to the management in dealing with those questions.

The company's industrial relations advisor made a preliminary survey of difficulties that had been experienced in the application of piece rates in several of the company's plants. He classified these difficulties according to cause. Most of them appeared to be the result of managerial inefficiency or of special circumstances. His report was as follows:

I. CAUSES OF SPECIAL PAYMENTS TO PIECEWORKERS

Special payments to pieceworkers have been and will continue to be a reflection of inefficiency in the managerial organization and they should be eliminated so far as possible.

It is likely that some allowances of this character will have to be made, but these should be governed by standardized methods and so reported as to make it possible to determine the extent and causes of unstandard conditions at any time.

A pieceworker's time ticket always should show the man's production multiplied by the regular piecework price. Any additional payment over and above the established piecework price should be indicated separately and should be authorized on a special allowance blank referred to in a subsequent paragraph herein.

Any allowance which is authorized is authorized for the current day

only. If the allowance must be continued on a second day, a second voucher should be filled out by the responsible authority.

Temporary piecework prices should be abolished, with the possible exception of those applying to new parts or new lines of manufacture.

The allowances recommended to be paid to workers having to work under unstandard conditions may be designated under three headings, namely:

“A” rate—80% of the average earnings of the worker per hour;

“B” rate—the average earnings of the worker per hour;

“C” rate—a piecework price applicable to the individual case and paid in addition to the regular piecework price.

The “A” rate is 80% of the average hourly earnings which are figured at the end of each four-week period. In the calculation, overtime premiums or other premiums are not included. If a pieceworker’s average earnings per hour are not in excess of the base rate of his occupation, his “A” rate then shall be 80% of his base rate. In no event shall his “A” rate be less than the minimum rate paid for common labor.

Just prior to the time that these allowance rules were under consideration, the company had revised its wage schedule. Under the rules in effect, the base rate for each occupation bore a relationship to the common-labor rate in the market. The base rate for an occupation, for example, might be 140% of the common-labor rate; that is, 56 cents an hour if the common-labor rate was 40 cents. The above paragraph provided, therefore, that if a pieceworker’s earnings in the operation assumed were less than 56 cents an hour, the worker nevertheless would receive 44.8 cents an hour as his “A” rate. With the common-labor rate at 40 cents an hour, no “A” rate would be less than that figure.

The report continued:

When an employee is transferred from one occupation to another, he will receive the piecework prices applying to the occupation to which he has been assigned. His “A” rate shall be 80% of the base rate for that operation until such time as it is possible to establish an “A” rate on the basis of piecework earnings. In no event, however, shall the “A” rate be less than the minimum common-labor rate.

The “B” rate is figured at the end of each four-week period. It is the average hourly earnings of the employee. Overtime premium or other premiums are not included in the calculation.

The “C” rate, or additional piecework price, is set by the supervisor in each case. It is effective for one day only.

II. THE CAUSES FOR ALLOWANCES AND THE RECOMMENDED RATES FOR EXTRA PAYMENT OF PIECEWORKERS

These recommendations presume that the abnormal conditions have

arisen through no fault of the employee and that it is not desirable to send the employee home for the balance of the working day.

Service Failures

1. Stoppage of power.
2. Breakage of pipe lines conveying oil or cooling solutions.

Many of the metal working machines have a stream of oil or cooling solution continually poured upon the metal being cut by them. These liquids are piped from central reservoirs. The pipe lines sometimes break or become clogged.

3. Shortage of stock upon which to work.

In these cases (1, 2, and 3) pay the workman his "A" rate for the actual time involved (hours or fraction thereof).

4. Failure of entire illumination system.

No allowance. The company purchases light from a public utility corporation and therefore is not responsible for a failure of the entire illuminating system.

Equipment Defective

5. Breakdown of machines.
6. Shortage of tools.

Pay workman his "A" rate for the actual time involved (hours or fraction thereof).

If only a part of the equipment in charge of an employee breaks down, the adjustments may be figured as follows: Supposing a machine operator regularly in charge of three machines has an "A" rate of 48 cents an hour. One machine breaks down. The operator is paid one-third of 48 cents or 16 cents an hour during the time the machine is being repaired.

If all the equipment in the charge of the employee is broken down and it is not desirable to send the employee home, he may be given a special assignment. In that case, the piecework rate applying to the special assignment should be paid. For example, a machine operator whose average hourly earnings are 60 cents and whose "A" rate is 48 cents may be offered an opportunity to clean up the department. If the employee accepts that work, his wages for it are governed by the rate set for such duties, and the 48-cent "A" rate does not apply.

Special Assignments

7. Try out new equipment.
- 8a. Assignment to experimental work, taken off regular task, usually for the development of new methods; cooperation with time-study men; rearranging an operation, and so forth.

Pay workman his average earnings per hour for the time actually involved (hours or fraction thereof).

- 8b. Assignment to experimental work; worker finished with regular piecework occupation.

Pay workman his "A" rate per hour for the actual time involved (hours or fraction thereof).

9. Assignment to obsolete equipment. Pieceworkers have been assigned on several occasions to idle equipment still in the establishment but regarded as obsolete. This has been done when the modern machines capable of performing the operations have been used to capacity. The old machines are poorly located from the standpoint of light and operating conditions, but are retained for emergencies.

Pay worker an additional piecework price per 100 pieces.

10. Emergency orders. At times pieceworkers are asked to stop the processing of a lot and to set up their machines for small emergency orders either to furnish a customer with a repair part or to make parts to take the place of others found defective at the time of final assembly. Upon receiving such an order, the pieceworker has to reset his machine and devote especial attention to the emergency work. Upon completing it he again resets the machine and proceeds with the lot, the processing of which was interrupted.

Pay workman his average earnings per hour for the actual time involved (hours or fraction thereof).

11. Processing "fill in" orders. Near the close of the working day employees sometimes are given "short runs" to occupy them for the balance of the day. Thus, at 3:30 a worker who has completed the processing of a standard lot may be given three or four "short orders"; each directing him to process a small number of units, perhaps just a single unit, according to specifications. This involves setting up his machine several times, obtaining tools, blue prints, and special fixtures, and doing other preparatory or supplementary labor. These orders are needed but not needed urgently. Typical orders of this kind are for the manufacture of repair parts.

Pay worker his "A" rate for the actual time involved (hours or fraction thereof).

All "set-up" and "change-over" work, necessitating compensation to the pieceworker, should be put on a separate piecework basis if possible, so that an employee can be compensated for additional set-up or change-over work on account of emergency orders, short lots, and so forth.

Unstandard Materials

12. Defective materials or unstandard materials such as salvaged items are issued to workmen at times. A typical case is

the use of defective castings made in the company's foundries. These frequently are machined at less expense than would have been incurred by scrapping the castings and issuing a foundry order for additional castings.

Defective material means work to be reclaimed or refinished which is defective through no fault of the employee. Parts spoiled by the employee should not be included in calculations of his piece-rate work earnings or allowances.

13. Other purpose material. At times material to be used for a purpose slightly different from the one originally intended is issued to pieceworkers. This is done whenever the additional labor cost is thought to be less in the judgment of the foreman than the cost of a new part made directly for the use in question.

In these cases pay worker an additional piecework price for 100 pieces.

The additional piecework price does not affect the regular piecework price. For example, a batch of castings may be found to be "hard." The regular rate of 10 cents per hundred pieces for drilling is then thought to be unjust. The supervisor decides to pay the pieceworker for the handicap. In no case should the pieceworker be guaranteed his average earnings. The regular piecework rate should not be changed. The proper procedure is, however, to study the problem to try to determine the extent of the handicap due to unstandard conditions, and to arrive at a piecework price which is to be paid over and above the regular rate of 10 cents per hundred pieces which, to illustrate, may be 3 cents per hundred pieces.

Learners' Allowances

14. Learners.

Pay worker the affiliated daywork rate set for the occupation to which he has been assigned.

A reasonable length of time may be allowed an employee to become proficient at new work. At the expiration of that time, the employee is not entitled to any allowance under the above ruling. For example, a new employee whose base rate is 50 cents an hour would be paid a starting time rate of 40 cents an hour, that is, 80% of his base rate. A time limit would be set within which he would be expected to become familiar with and proficient at his work. During the first day his earnings at regular piece rates might be 30 cents an hour or \$2.70 for the nine-hour day. The pay roll then should record his production at regular piecework prices and an allowance of 90 cents—the difference between his earnings, \$2.70, and nine hours' time paid at his learner's rate of 40 cents an hour, \$3.60.

Teaching Allowances

15. Teaching assignment. Piecework employees have been assigned to teach newcomers.

Pay employee his average earnings per hour for the actual time involved (hours or fraction thereof).

No Piece Rates Set

16. When a pieceworker starts on a job for which no piecework price exists, or when for any reason a correct piecework price cannot be established in time to be used—

Pay him his "A" rate for the actual time involved (hours or fraction thereof).

Piecework prices will be established on all new work as soon as possible. They will be effective on notice to the pieceworker. If the pay roll is closed before the piecework price has been set, the employee will be paid later any difference between the amount of wages due him, figured at the piecework rate, and the amount of money actually paid to him under the above ruling.

Miscellaneous

17. Guaranty of day rate. When an employee's earnings, through no fault of the company, fall below the established daywork rate—

No allowance will be made. That the piece rate is apparently fair is established by the fact that the typical employee on the job earns the expected base rate. An employee who fails to earn the expected sum is not entitled to an allowance. Any departure from this rule must be made by the superintendent or his delegated representative. The correct treatment of such cases will have much to do with the discipline and morale of the plant.

Attached to the report were forms for handling allowances; these forms, called allowance checks, were to be standard for all types of work. Inside the cover of the allowance check book, to be issued to each foreman, were stated the various causes for making allowances, the allowance code, and the proper method of figuring each item in the code. Allowance checks were to be used by the foremen daily whenever the occasion demanded an allowance. These forms were to be made out in duplicate. One copy without further approval was to be given to the timekeeper and was to be his authority for the pay roll entry. The second copy, after all clerical requirements had been fulfilled, was to be sent to the superintendent or his delegated representative. The intention of this procedure was that the originator of the allow-

ance check, alone, would be held responsible for the issuing of the allowance, subject to the scrutiny and criticism of the superintendent or his appointee. The copy given to the timekeeper had to accompany the pay roll affected to the pay roll department, which prepared the departmental comparative statement showing the sum of all allowances.

The company adopted the proposals in this report.

COMMENTARY: Although the report of the industrial relations advisor was apparently concerned with wages, its true purpose was to devise a method of stimulating immediate superiors to adopt measures for the correction of unstandardized working conditions. Employees are discouraged when these matters, which are outside their control, reduce their working effectiveness.

This report marked no departure from the company's practice of paying workers according to the piecework system whenever possible. The report specifically recognized the danger of departing from the piece-rate system in recognition of exceptional circumstances. When workers accustomed to the stimulus of the piece-rate system are suddenly put upon a time basis of payment, their production often decreases substantially.

The presence of the shop-committee system seems also to have been a noteworthy feature of the case. On account of that system, workmen were free to present demands for allowances in case they thought working conditions were abnormal. No doubt the workmen would become acquainted with the system of piecework allowances presented in the case. There was little danger, therefore, that the rule requiring supervisors to turn in vouchers for all piece-rate allowances would work hardship upon the workmen. That, however, might have been the result if employees had had no effective means for making grievances known to the management. The presence of a shop-committee system rendered it more certain that this plan for bringing unstandardized working conditions under control would be effective.

As to the specific rates established by the proposal, these were dictated by technical considerations in the industry which the outsider is not qualified to pass upon. One feature of interest is that employees made idle through managerial inefficiency were not paid their average hourly earnings, but 80% thereof. This would seem to be a fair adjustment in view of the fact that the employee would be putting forth no effort while waiting for work or the repair of his machine. Another recommendation of interest was the basis of paying learners. They were started at 80% of the base rate. That fact, no doubt, furnished a strong incentive for the ambitious ones to increase their output.

The company's rate structure seems to have been carefully designed. In the first place, the company linked its wage rates with the movements of the common-labor rate, thus recognizing general changes in the relation of supply and demand for labor. Second, differentials in recognition of skill and responsibility were figured as percentages of the common-labor rate. Thus, occupational rates were determined. They were the norms which the earnings of groups of pieceworkers were to approximate. Third, the earnings of the individual within any occupational group varied with his output.

The "A" and "B" rates for an experienced employee reflected his relative diligence within this group. If the occupational or class rate had been used, all the individuals in a group would have been put upon the same level, and thus the personal incentive factor in the wage plan would have been lessened.

March, 1926

J. W. R.

SCARBOROUGH MILLS¹

MANUFACTURER

QUALITY CONTROL—*Penalty for Doing Substandard Work to Obtain Large Bonus.* A manufacturing company operated a bonus system by paying employees one-half the regular rate for time saved when they performed tasks in less than the specified period. A bonus committee, composed of employees exclusively, dealt with questions arising in the operation of the bonus system. The committee recommended to the management that two new men, working at tasks difficult to inspect closely, be discharged for having performed substandard work on which large bonuses had thus been obtained.

(1922)

In 1922 the bonus committee of the Scarborough Mills, composed exclusively of employees, recommended to the management that John Johnson and Sam Berwick, both members of the construction crew, be discharged for attempting to gain bonuses by not completing work according to specifications.

Two years before, the general manager of the company had had the construction crew put on an incentive wage basis. Time studies were made in order to determine the length of time a given job should take. On each construction and repair job detailed information as to supplies, tools, and procedure was given to the men who were to do the work. When a job was completed ahead of the schedule time, a bonus was paid equal to the wages for half of the time saved.

Late in 1921 the company had constructed a new office. The instructions given had specified that the wall board should be nailed on all four edges to the two-by-fours, one nail every twelve inches. The cracks between the pieces of wall board were to be covered with strips, similar to laths, which were wide enough to cover the nails as well.

The committee's recommendation had the following background: About a week before, the general manager, while talking to the time clerk in the new machine-shop office, happened to lean heavily against a section of the wall. He noticed that the wall was not solid and, upon removing the strip, found that as the wall board was nailed at the corners only, it was held by 4 nails

¹ Fictitious name.

instead of 36, and consequently was not firm. Careful inspection of the office brought out the fact that the north and east walls were nailed properly, but that the south and west walls had but 4 nails in each piece of wall board.

When the general manager consulted the records in the construction office, he found that four men had worked on the wall board job, two of them receiving large bonuses. The records of the employment department showed that two of the men had worked for the company for over ten years and had excellent records, but that the other two, who had finished their jobs first, had been with the company less than a month when the office was built. Called to the time office in the machine shop, and asked which part of the wall board they had put on, the two old employees stated that they both had worked on the well-nailed sides of the room. The general manager then called in the other two men, Sam Berwick and John Johnson. They admitted that they saw no need of putting in 36 nails when 4 nails would do as well. The general manager explained that experience had shown that the board should have a nail each foot, and pointed out to the men that the parts which they had put on six months before were beginning to warp.

The cases of Johnson and Berwick were placed before the bonus committee, a group composed of employees who were elected every six months by all the employees in the plant to deal with questions relating to the bonus. Johnson and Berwick were given a long hearing, but although both men's records were good except for this one instance, the bonus committee unanimously recommended that both men be discharged.

This case was the first attempt made by an employee to "beat" the bonus. Good men for the construction crew had been difficult to secure, and because of the amount of instruction necessary for new men, the cost of replacing experienced men was high. On the other hand, the offense was serious, and unless the recommendation of the committee was adopted, other similar attempts might occur in the future.

COMMENTARY: The bonus system in this case applied to work which was difficult and costly to inspect. The construction crew really was on its honor to adhere to the quality standards specified in its instructions. Had the company condoned the offense of Johnson and

Berwick, it would have struck a blow at the incentive value of the system. That offense consisted in winning a large bonus by departing from instructions. The effects of a light sentence might have been further attempts to depart from quality standards and thus to win bonus money dishonestly.

The sentence imposed by the advisory committee testified to the seriousness with which they viewed the issue. To have lightened the sentence would have impaired their confidence in and support of the bonus plan. Preservation of their morale was worth more than the cost involved in training two men to replace Johnson and Berwick.

January, 1926

J. W. R.

ROBBEL SHOE COMPANY¹

MANUFACTURER—SHOES

DISCIPLINE ENFORCEMENT—*Proving Sufficiency of Reasons for Discharge.*

After a foreman in the lasting department of a shoe factory had discharged an employee for repeated attempts to pass work which previously had been rejected by an inspector, a shop committee appealed the employee's case to the manager. Its members believed that the inspector was prejudiced against the employee. Because the manager wished the inspector to have the confidence of the employees and the quality standards to have their approval, he reinstated the employee and awaited more conclusive evidence upon which to base discipline in the case. The employee repeated his offense under conditions adequate to prove the company's contention, and he then was discharged.

QUALITY CONTROL—*Employee Discharged Because of Repeated Attempts to Deceive Work Inspector.* In the lasting department of a shoe factory an inspector returned defective shoes several times to an operative and asked him to repair the defective product. After it was shown conclusively to the man's fellow-employees that there had been no discrimination by the work inspector, the refractory employee was discharged.

(1919)

The Robbel Shoe Company operated a shoe factory on an open-shop basis. In 1919 the employees' shop committee of the factory requested the general manager to reinstate John Dutton, who had been discharged by his foreman for attempting to pass poor work by an inspector after the work had been rejected. The committee claimed that the reason given for his discharge was not sound and that the inspector had held a personal grudge against Dutton.

The superintendent in the factory had heard the case and declined to reinstate the man. The general manager called to his office the factory superintendent, the foreman under whom Dutton had worked, the inspector in that department, and the employees' committee.

In this conference, it was brought out that during the preceding three months John Dutton had been warned twice by his foreman on account of poor workmanship. In each case, the inspector had returned faulty work to Dutton. On the first occa-

¹ Fictitious name.

sion he had explained to Dutton that the work was not up to standard and that it must be done over. Dutton protested against taking the work back and maintained that he had performed his duties properly and that the inspector was discriminating against him. Finally he had taken back the faulty work because the inspector had insisted, but he had refused to admit careless workmanship. The inspector had reported the occurrence to the foreman, who then spoke to Dutton about the matter and made a notation on Dutton's record. Notations of this kind were made only when the foreman was convinced that the employee's attitude was antagonistic to the established regulations of the company.

On the second occasion that the inspector had found Dutton's work unsatisfactory, Dutton had been surly, and the inspector found difficulty in making him take back the defective shoes. The inspector had returned to his post, and Dutton had begun ostensibly to remedy the defects in the returned shoes. A short time afterward, the inspector discovered another pair of defective shoes among a lot which Dutton just had finished. Upon examining them, he found that they were the ones he previously had returned to Dutton. Clearly no further work had been done on them. Dutton had been warned on this occasion by the foreman that discharge would follow if the practice were not discontinued at once. This incident also had been entered on Dutton's record.

A week later Dutton again tried to pass rejected shoes which he had not reworked, whereupon the foreman had discharged Dutton. Testimony of the inspector and foreman indicated that Dutton had done poor work, had attempted to avoid correcting his errors, and had disobeyed the instructions of the foreman in regard to doing the work a second time.

The instructions for inspectors specified that when unsatisfactory work was found, the inspector should call it to the attention of the workman concerned and show him how the work should have been done. In all cases, inspectors were to use tact and discretion in their treatment of unsatisfactory work so that the employee would be brought to view the matter from the company's viewpoint. Friendly cooperation was expected to reduce to the minimum any unpleasantness or friction which might develop in these cases. It rarely was necessary for an inspector to request that an entire job be done again.

Employees in Dutton's department, the lasting room, were paid

piece wages. In the lasting room the parts of the shoe upper were assembled upon a last to which they were tacked and wired. The parts were stitched together subsequently, preparatory to being sewn to the sole of the shoe in a later operation. The inspection in the lasting department consisted in seeing that the parts of the upper were properly assembled. Rejected shoes had to be disassembled and relasted on the employee's time. There was practically no waste of material and no additional direct-labor cost on account of rejections at this point; the overhead cost entailed as a result of rejections was slight.

The union committeemen who spoke in Dutton's behalf were reasonable and sincere. They did not question the facts, but appealed the case on the ground that the inspector entertained a personal animosity toward Dutton and had used the opportunities which presented themselves to injure Dutton's standing. They held that the entries on his record showed deliberate preparation for discharge.

The factory superintendent believed that reinstatement under the existing conditions would be detrimental to the maintenance of discipline and to the enforcement of factory regulations. The inspector stated that in his opinion Dutton's poor work and his attempts to deceive the inspector regarding such work were intentional. The shop committeemen pointed out that Dutton was married and had eight children, and that he had been discharged on an issue which was clouded by personal dislike.

The general manager realized that the employees on the committee were sincere and that they represented the opinion of the entire department in which Dutton had worked. These men believed that Dutton had been discharged for insufficient reasons. Under these circumstances, the general manager thought that dissatisfaction would result among Dutton's fellow workers if he were discharged. On the other hand, the manager, by reinstating Dutton, would reverse the decision of the foreman and the factory superintendent. That action might lessen the respect of the employees for those officials.

The general manager decided, however, that in a case of this kind, the man's fellow workers should be convinced that the company was fair and impartial in the enforcement of its regulations. He thought that reinstatement of Dutton would have one of two possible sequels: Dutton would perform his work

satisfactorily and be retained in the company's employ, or he would continue to do poor work, which could be brought to the attention of his fellow workers and used as a basis for final discharge. In either case, the employees would know that he had been given every opportunity to show his qualities as a workman.

The general manager, therefore, recommended that Dutton be reemployed and that he be requested to come to work the next morning. Dutton complied with the request, but his attitude on the first day after his reinstatement was unsatisfactory. He sent poor work to the inspector and showed intense anger when the inspector returned it to him. He again attempted to have this work passed without having made the necessary corrections. The inspector reported the fact to the superintendent, who called together the members of the shop committee. They agreed that the work was not up to standard and that the man should be discharged. The foreman immediately discharged him, and the committee expressed satisfaction with the company's attitude.

COMMENTARY: Inspection of product in a shoe factory cannot be done with mathematical precision; the nature of the product prevents an objective determination of the quality of the output. The inspector of shoes must express a personal judgment on the quality of the employees' work, and his standards are known to vary because they are subjective in character. His decisions can be questioned by employees with greater ease than can the decisions of inspectors in some branches of manufacture in which precision tools determine variations from a standard of excellence.²

In this case the question arises whether the inspector was competent and impartial. The fact that the entire department, in the opinion of the manager, thought that Dutton had been the victim of discrimination would have justified an investigation of this inspector's work. On the other hand, it was possible that the inspector was reasonably impartial, but that the inspection system itself was poor, so that his impartiality could not be verified.

In order that the employees in this department might be assured regarding the fairness of the inspector, a revised inspection system might well have been installed. In the first place, specimen products regarded as border-line rejections could have been retained for reference. These would have served to keep the inspector's standards of judgment relatively fixed. Second, instructions should have been issued asking any employee who thought his work had been rejected on inadequate

² See Gilbert Rubber Company, 1 H.B.R. 188; commentary, 2 H.B.R. 442.

grounds to appeal at once to the foreman. Under that arrangement two officials would pass upon contested cases and there would be less justification for the charge of discrimination in the application of quality standards.

The costs involved in rejecting shoes because of improper lasting were slight. From the company's standpoint there was not justification for the damage slip system at this point.³ Nor was it desirable that the foreman, in addition to the inspector, should pass upon all rejected shoes, as in the case of the Gilbert Rubber Company.⁴

If, however, this case had arisen in the finishing department, in which some rejected shoes were refinished by cobblers on day rates and others had to be sold as seconds, the problem would have been more serious. In that event, both the error slip system and the review of rejected shoes by the foreman in charge of the employee responsible for the damage might have been carried on to advantage. The first of those measures would have obtained admission of responsibility for error and a basis for imposing discipline for poor workmanship fairly as between employees. The second arrangement would have called the attention of the foreman to costly infractions of quality by his subordinates whenever those occurred. These two devices would have aided the foremen's supervisory efforts.

In the manufacture of shoes, many employees contribute directly toward the quality of the product. It is desirable to create an attitude of pride on the part of the work force toward its product. If that spirit can be built up, employees will not view inspection as a barrier to piecework earnings or as a supervisory act capable of ready abuse, but as a safeguard to maintain the good name of the organization and to bring it continued business. Manifestly, this spirit toward inspection and quality is impossible if the employees think that quality standards are unfairly administered.

The manager's decision in this case seems to have had a favorable effect upon the department's morale. On the other hand, it reversed the decisions of junior executives and was an admission that the company's methods of inspection, from the standpoint of the employees, did not determine the existence of spoiled work conclusively. This reversal probably would have caused the inspector, the foreman, and the superintendent to relax their insistence upon quality standards unless the manager, before announcing that decision, had explained his purpose to them privately, and thus had conserved their sense of obligation regarding quality of output.

March, 1926

J. W. R.

³ As in Gradnor Instruments Company, 1 H.B.R. 185; commentary, 2 H.B.R. 441.

⁴ Gilbert Rubber Company, 1 H.B.R. 188; commentary, 2 H.B.R. 442.

LORRAINE RUBBER COMPANY¹

MANUFACTURER—RUBBER PRODUCTS

WAGES—*Exceptions to Deductions for Defective Work.* Calender crews, paid by group piece rates in a company manufacturing rubber products, because of existing uncontrolled variables affecting their work, asserted that they should not be penalized for all defective product. Deductions from their wages on that account had caused friction within the crews. In view of that friction, the low ratio of their defective output, and the existing variables, the company decided to penalize calender crews only for defective product in excess of 2% of their respective outputs.

EMPLOYEE REPRESENTATION—*Issue of General Significance Arising in One Department Referred to Other Departments.* In a rubber manufacturing company having a system of employee representation, the employees in one department, through their representatives, raised an issue of general significance which was referred to the factory joint council. Before adopting a proposed settlement, which on its face was a departure from general plant practice, the factory joint council referred the proposed settlement to other department committees in order to find out whether its adoption would cause difficulties subsequently in other factory departments.

(1923)

In accordance with its general policy, the Lorraine Rubber Company did not pay employees in the calendering department for that part of their output which was rejected by inspectors. The calendered product was not inspected until it reached another department, where a report was made stating the quantity and lot number of defective calendered stock. A copy of this report was sent to the calendering department office, which charged the wage accounts of members of the proper calender crew with the regular piece rates for the damaged product. In October, 1923, the men in the calendering department, through their representatives on the divisional council, asked that deductions for defective product in that department be abolished.

The company manufactured tires, tubes, and other rubber products. It had approximately 8,000 employees. In the calendering department, where about 50 men were employed, rubber compound was pressed into cotton fabric approximately 6 feet wide. The calenders were run in pairs, tandem fashion, the

¹ Fictitious name.

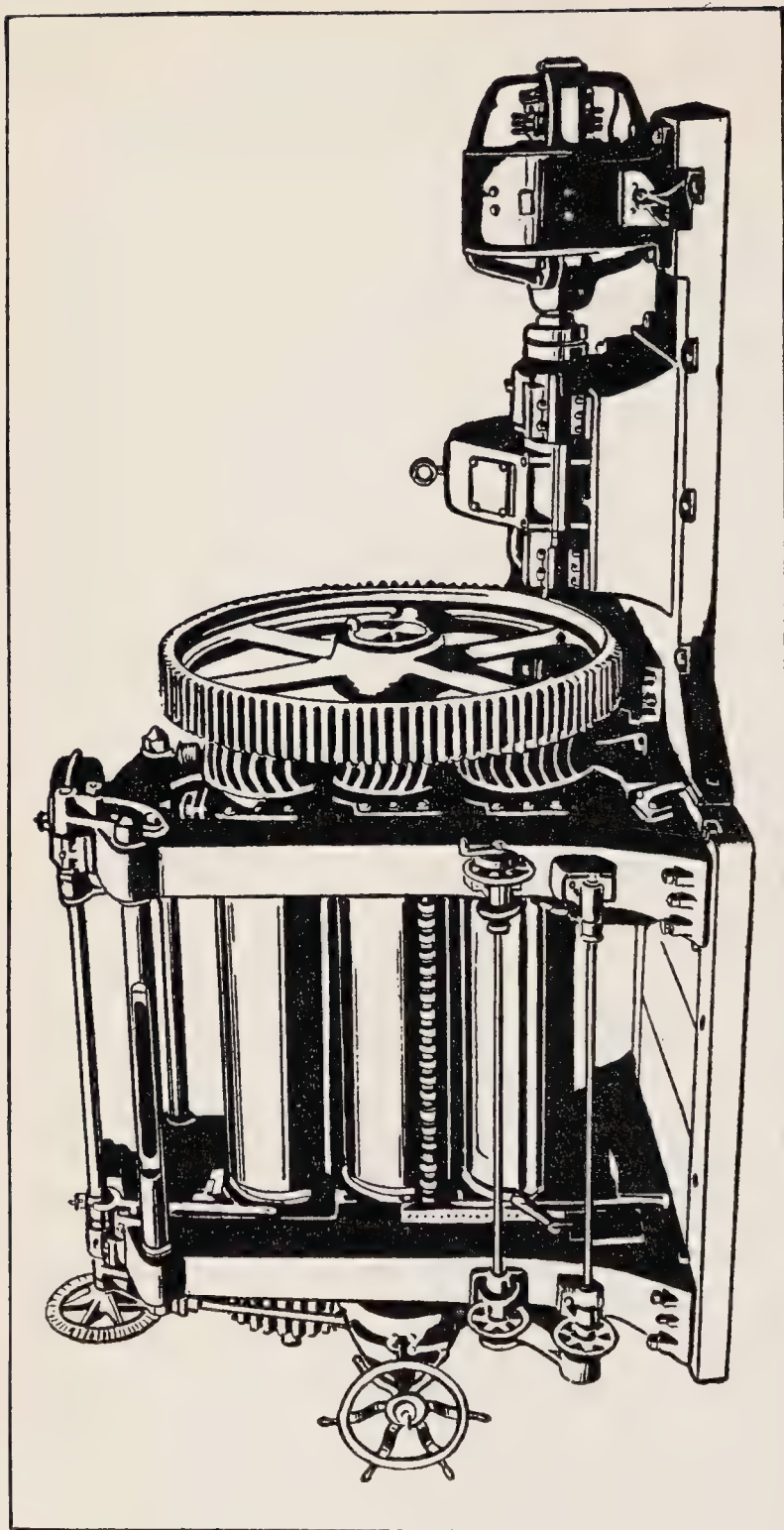


Exhibit 1: Rubber calender with motor drive.

This machine has rolls 24 inches in diameter and 66 inches long, and will cut fabric 60 inches wide. The rubber stock is fed between the two top rolls and the middle roll becomes coated with rubber. As this roll rotates, it brings the rubber into contact with the fabric, which is fed between the middle and bottom rolls. The bottom roll rotates much more slowly than the middle roll, with the result that the rubber is struck into and through the fabric. The top and bottom rolls are adjustable. The top roll is set to give the proper coating of rubber; the bottom roll holds the fabric up against the middle roll. In frictioning, the fabric always follows the bottom or slower roll. A satisfactory result in calendaring is dependent largely upon the temperature of the rolls and their surface alignment. The coated fabric, as it leaves the last calender, is sticky, and, in order that it may be wound up without the layers adhering, there is wound between them a cotton liner, which can be stripped off readily when the material is unwound.

cloth being impregnated with rubber on one side in the first calender and on the other side in the second. In principle the calendering process was simple, but the machinery was complicated and difficult to operate. Exhibits 1 and 2 illustrate the principles of the calendering process.

The Lorraine Rubber Company assigned five men to each calender. The speed and tension of the fabric as it passed through the mechanism was regulated for each pair of calendars by means of electric controllers operated by a man seated in a booth above and to one side of the machines. The duties of the five men in the calender crew were as follows: the "mill man" received the rubber compound from truckers, warmed it by "milling" it in a set of rollers near the calender, and passed the warmed stock to the "third man" as it was needed. The third man inserted the stock into the calender, took care of scrap removed by an edge-trimming device, and prevented gum from adhering to the rollers. The "second man" and the "first man" changed rolls of fabric and fed the fabric into the calender. The first man also regulated the heat of the rollers. The "calender man" was in charge of the crew and helped wherever his services were needed.

Calendering was not an exactly controlled operation. It was necessary for the calender man to be familiar with different compositions of rubber stock and with their reactions to the various conditions under which the machines were operated, and to exercise judgment in his supervision of the processes. If the fabric was not at the proper tension during its passage through the machine, blisters and inequalities would appear in the product. If the distance between the rollers, which were adjustable by means of screws and worm gearing, was not regulated accurately, the finished product would not be of the proper thickness. The rollers had to be maintained at the proper temperature. When the calender was started in operation, the rollers, which were hollow, were heated by the admission of steam to their hollow sections. While the calender was operating, the heat generated by friction maintained the temperature of the rollers. If they became too hot, water was admitted to their hollow sections. Some fabrics were coated at double the speed of others; the standard speed for the company was 36 yards a minute. The speed of a calender could not be increased arbitrarily, as the speed affected the quality

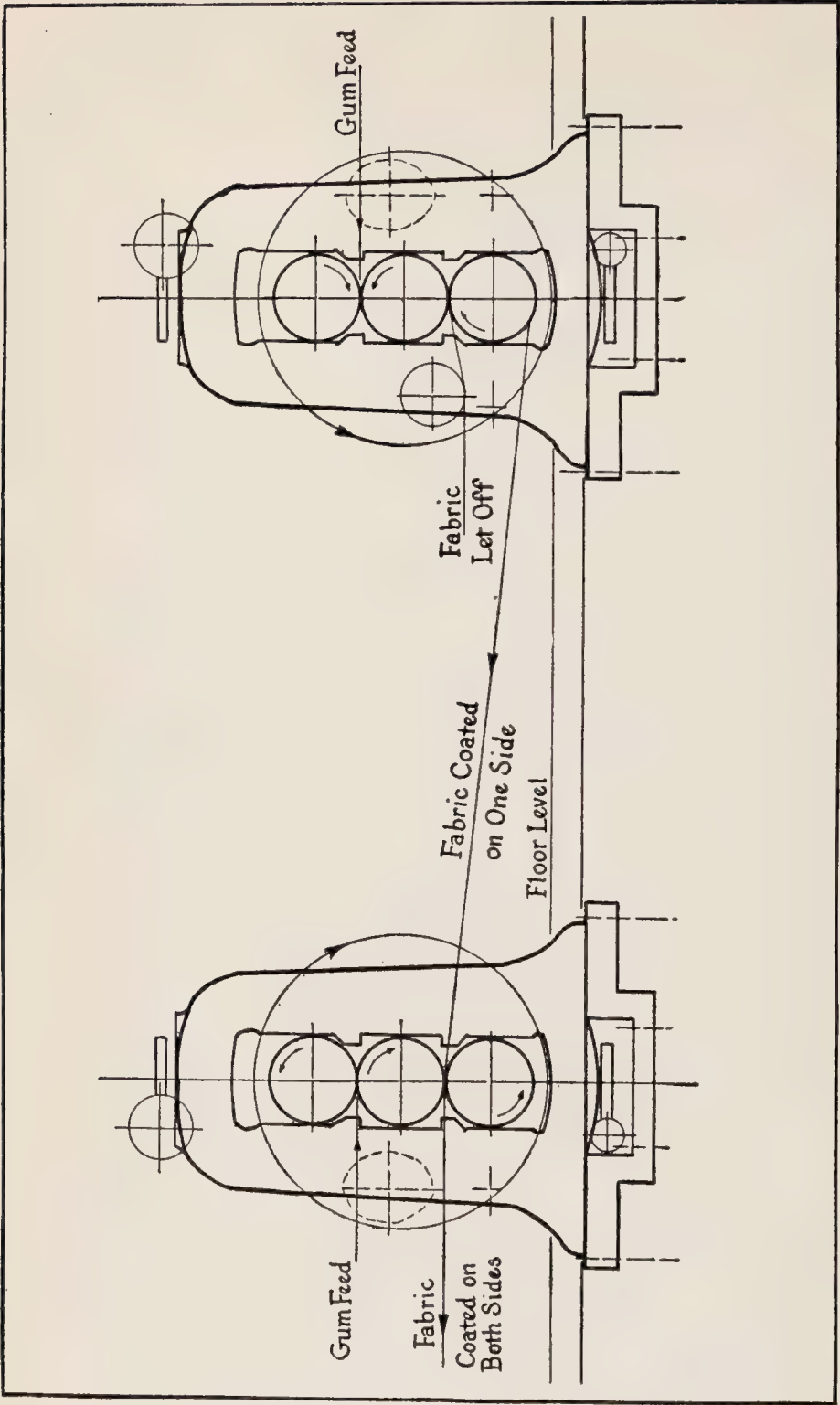


Exhibit 2: Cross section illustrating principle of operation of steam-heated rubber calenders.

of the product. By careful experiment, however, it was possible to determine the highest speed consistent with satisfactory quality. Rubber stock for tires, because of its rich content of pure rubber, could be calendered at higher rates of speed than the compounds less rich in pure rubber, such as were used for rubber footwear. Those stocks were calendered at rates of from 10 yards to 13 yards a minute.

Until 1921 the company had maintained an inspection force in the calendering department. In 1921 the factory manager had concluded that, since the spoilage in the department was low, it would be advisable to abolish the inspection system there and to put the men on their own responsibility. Thoroughly competent inspectors were expensive and others had limited usefulness. Moreover, the calendered product was passed upon by inspectors in the fabricating departments. The defective sections were rejected and charged against the earnings of the crew at whose machines they had been produced.

The calender crews were paid on a group piecework basis, so much per roll or per 100 yards. Each man in a crew received a stipulated fraction of the total piece price. The total for the crew was 4.25 times the calender man's rate, which was taken as 100 points. The crew's 425 points were distributed as follows: calender man, 100 points; first man, 90 points; second man, 83 points; third man, 82 points; mill man, 70 points. The earnings of the calender men per hour averaged more than the earnings of any other group in the plant. Mill men advanced from one position in the crew to another until they became calender men. The company believed that a calender man could not be trained in less than $1\frac{1}{2}$ years.

The company had adopted a plan of employee representation in 1919. Employees and executives were represented on divisional committees, which had original jurisdiction over employees' complaints against rules, disciplinary action, wages, and working conditions. Those committees and the factory joint council, made up of representatives from the divisional committees, could make recommendations to the management concerning matters directly affecting employees, but the final decision rested with the executives. A division included from 3 to 5 precincts, each of which included approximately 200 employees and had 2 representatives on the divisional committee. A three-

fourths vote was required to pass any measure through a divisional committee or the general council.

The men in the calendering crews, in 1923, maintained that they should not be charged for all defective stock sent from the calender room. They held that some imperfections in the product were caused by factors which were beyond their control. The employees' request for the abolition of the penalty for defective product was presented to the divisional committee which had jurisdiction over the calendering department. The employee representatives who introduced the subject pointed out the complexity of the calendering operation and the strain on the crew caused by the speed at which the calenders were run.

A management representative on the committee stated that the producing departments throughout the factory were on piecework, that only about 15% of the employees were on daywork, and that many of these were classed as indirect labor. He called attention to the established rule of the company that workers would not be paid for defective work and maintained that the system of payment for the calender crew was consistent with the plant ruling and that a removal of the penalty might result in output of lower quality.

After some discussion, a joint committee of two was appointed to investigate the subject. At a special meeting held a week later, this committee made its report. The committee found that most of the calendered stock that had been rejected was held to be "off gauge," that is, too thick or too thin. Stock was calipered after being folded back and forth in several-ply thicknesses. Even if calipers were adjusted properly, the individual using them, by exerting different degrees of pressure upon the rubber stock, could produce slightly different readings.

The committee recommended that, since the relatively high speed at which the fabric was run through the calenders enabled the company to increase its production and to save in overhead costs but made it more difficult for the crews to maintain proper operating conditions, the company assume a certain loss from defective product.

The committee found that foremen and workmen cited as a variable the differences in chemical make-up of the stock prescribed by the laboratory from time to time. Only after new stock had been tried on the calenders could the proper adjustments of

those machines be decided upon. In other words, the adjustments necessarily were determined by experiment. Other variables referred to were the period that compounded rubber stock was allowed to remain in storage preparatory to use and the length of time between milling or warming up the rubber and its use in the calender. The milling operation removed temporarily the elastic properties of the rubber and gave it a putty-like consistency. Yet, if allowed to lie for a period even as short as a half hour, the mass of milled rubber regained much of its former elasticity. The committee reported that it was impossible to obtain proof of the alleged effects of these variables or to estimate the allowance that should be made on account of them.

Upon investigation, the committee found that the ratio of defective material produced in the calendering department in the preceding month was 1.38%, that in one week \$10.55 had been deducted from the combined wages of 36 men in the calendering department, and that in the same week \$3.95 had been deducted from the total wages of 9 other men in the department. These figures the committee believed to be typical. It reported that ordinarily the deductions from the weekly wages of an individual employee did not amount to more than 5 cents or 10 cents and that the men resented the fact of the deductions rather than the amount of those deductions.

The investigators found, too, that the deductions led to friction between the men in a crew. Frequently, several men in a crew attributed the defective product to inefficient work on the part of one or more of their associates. Disputes and ill will resulted, especially when new men were assigned to the crews.

It was recommended by the committee that calender crews be held responsible only for defects in excess of a certain allowance made in recognition of the complexity of the calendering process and human fallibility under the speed at which the machines were operated.

The general foreman of the department, a member of the divisional committee, admitted the presence of many variables, the high speed of the machines, the noise of the department, which made it difficult to issue orders, and the flexible nature of the materials used. In view of the rapidly changing technique of rubber manufacture, he did not believe it economical to attempt to standardize the variables complained of by the employees.

One of the management representatives upon the divisional committee for the calendering department thought that the adoption of the proposed waste allowance by that committee might prove troublesome to other departments. He suggested that the entire matter be referred to the factory joint council, since most of the work done in the plant was piecework and subject to the company's general practice of not making payment for defective product. The divisional committee voted to follow his suggestion.

The factory joint council held a special meeting three days later to discuss the issue submitted by the divisional committee. On the ground that it did not possess adequate technical knowledge, the factory joint council referred the issue with supporting evidence to each of the divisional committees to ascertain whether a troublesome precedent would be established if an allowance for waste was adopted in the calendering department.

After discussing the question in their regular meetings, the divisional groups replied to the factory joint council. Several divisions reported that no system similar to the one effective in the calendering room was in force in their departments. The other committees reported that, although wage deductions for defective work were not made in their divisions, the defective material was returned to the employees and they were required to repair it before receiving credit for it. A representative of the calendering department on the factory joint council pointed out that the calendering crews could not repair stock that was calendered defectively and that such stock had to be disposed of by the by-products department.

The value of defective calendered stock was from 20% to 25% of the value of the raw materials that constituted it. The factory joint council then notified the divisional committee for the calendering department that that committee was free to act upon the employees' request, since conditions in the calendering department were so different from those in other departments that the committee's action would not become a troublesome precedent.

After further discussion, the divisional committee voted that an allowance for defective work in the calendering department be established, and recommended that for a period of 60 days crews be charged only for defective product in excess of 2% of their total output, this percentage of allowance to be tentative pending

further study. The committee's recommendation was put into effect.

One member of the committee had suggested that, instead of making a 2% allowance for waste, the company increase wages in the department 2%. He held that this plan would enable the company to adhere to the general rule that employees were not paid for defective work.

At the regular meeting of the divisional committee, held two months after the allowance for defective work was established, the foremen and employee representatives of the calendering department reported that the ratio of defective product to total output had not increased since the allowance had been established and that the men were pleased with the new arrangement. The allowance plan was put into effect permanently.

COMMENTARY: The Lorraine Rubber Company had been making deductions from the earnings of its calender-room employees for their defective product at regular piece rates. The practice was questioned by the employees because variables not under their control influenced the quality of the calendered stock, and because the average weekly deduction was a small amount which the men thought the company should disregard.

The normally small amount of deductions indicated that the wastage in the calender room was not a serious problem. That condition, however, did not warrant the abolition of deductions. In order that the fine system might be positive in its effects, the fine should have been imposed so far as possible for wastage which was the result of employee delinquency. The abolition of all deductions might have led to carelessness in calendering stock.

The small amount of the fines normally imposed had an irritating effect upon the employees. The case states that they resented the fact of the fines rather than the monetary amount of the deductions. The small deductions, no doubt, lowered the company in the employees' esteem.

At the outset of the negotiations, the company's representatives held that the practice of deducting for defective work should be applied uniformly throughout the plant. That argument was not tenable in view of the substantially different operating conditions in the calender room on the one hand and in the making departments on the other.

While any relaxation of a general rule in one department probably would be criticized or misunderstood by employees in other departments, a defensible departure from a general regulation should not be

held back on that account. The risks of misunderstanding and criticism may be minimized by informing the employees generally of the reasons for the adjustment. This company's employee representation plan served to acquaint the employees with the reasons for the departure from the usual penalty system in the calendering department.

The company's inspection arrangements did not bring about direct discussion between inspectors and calender crews concerning defective calendered product. Such dealings would have spurred the crews to find and correct the causes of defective product. Another effect of the detached inspection was that the calender crews questioned the basis upon which product was condemned. No doubt this questioning attitude played a part in their desire to eliminate the penalty system.

The proposal to increase piece rates 2% and to continue the fine system had little merit because it would not remove the real trouble, namely, the irritating effect of small fines.

In this case, the presence of unstandardized conditions rendered it questionable for the company to charge the piece rates for all defective product against the earnings credited to the calender crews. The waste allowance was a compromise under which the men, in view of these variables, were not to be penalized for defective product unless and in so far as it exceeded a definite proportion of their output.

The method of dealing with this request merits consideration. The first step taken by the divisional joint committee was to refer this issue to a fact-finding subcommittee. The record informs us that the subcommittee, a joint body also, was agreed regarding the presence of variables and the solution to be adopted. Before the recommendation of this subcommittee was voted upon in the divisional committee, however, the committeemen recognized that the adjustment would be of significance to other operating departments. The proposed adjustment was forwarded to the factory joint council, which, because of a lack of sufficient technical knowledge, referred it in turn to all divisional committees. Those committees subsequently reported that the proposed adjustment, although on its face a departure from general plant practice, would not cause difficulties subsequently in other factory departments. Upon this assurance, the divisional committee for the calender department established a waste allowance. This reference of the plan to all the divisional committees, by informing the departmental employee representatives of the reasons for the proposal, enabled them to defend the calender waste allowance to any employees in their departments who thought it an unwarranted concession.

July, 1926

J. W. R.

HILARY, PRESCOTT & COMPANY¹

MANUFACTURER

QUALITY CONTROL—*Demerit System to Reduce Inaccuracies in Order Filling.*

A manufacturing company employed "checkers" to verify items contained in lots assembled for shipment to customers. Since that system did not fasten responsibility upon the "order fillers" who assembled the items, the checkers were asked to report order fillers' errors. These errors were to be recorded upon the men's records. Mistakes complained of by customers were to be recorded upon the checkers' records. Wage increases for both groups were to be based in part upon those records.

From time to time the customers of Hilary, Prescott & Company had reported overages, shortages, wrong articles, and other mistakes that had been made in filling their orders. A newly appointed shipping department manager was dissatisfied with the record of his department in this matter. This case presents the revisions he made in the company's order-filling system for the purpose of reducing the number of errors in shipments to customers.

The company manufactured stock and special-order merchandise. To round out its line the company also acted as wholesaler for products made by several other manufacturers. Its catalog listed approximately 6,000 items. Many of these products were packed in a variety of different-sized containers, which held from one-half dozen to a gross of articles. More than 1,500 boxes and packages of finished goods were carried in stock for filling orders.

The company's shipping room was divided into several sections. In that department, 25 men were employed as "order fillers," and 8 men were employed as "checkers." The order fillers received from the sales department the orders which had been sent in by salesmen and laid out on tables the goods called for on each order. In laying out the packages, all the order fillers worked in one section of the shipping room until the tables in that section were filled with completed orders. They then proceeded to the next section and worked there in the same manner.

¹ Fictitious name.

When one section had been filled with completed orders, the checkers verified the goods laid out by comparing them with the items called for on the customers' orders which had been left with the goods by the order fillers. When errors were found, the checkers replaced the wrong articles with correct packages secured from the finished-stock bins. This involved duplication of effort and waste of time. As soon as the checkers had finished their work in a section, the packers entered it and packed the goods in boxes which had been ordered for each customer's supplies.

When men were employed to work in the shipping department, they were given a brief period of training in handling all finished goods manufactured by the company so that they might become familiar with the general line. After this training, they were given regular jobs as order fillers. The next advancement was to the position of packers, and after having qualified satisfactorily in that job, the men were promoted eventually to checkers' positions.

The manager of the shipping department had learned from previous experiments that although the checkers received the highest wages paid in the department, they failed to discover all mistakes made by the order fillers and that the percentage of mistakes which were passed over by the checkers varied in direct proportion to the number of mistakes made by the order fillers. It also was known that because the checkers were made responsible for errors, the order fillers did not realize the importance attached to their work and performed their duties with the object of completing as many orders as possible without giving proper attention to accuracy. The order fillers knew that the checkers received high wages because they were more familiar with the work of the department and because the responsibility for errors was placed directly upon them. When mistakes were reported by customers, the checkers were required to sign error slips which formed the basis of the entries on their records. Those records were reviewed in making recommendations for advancement. The order fillers were not subject to this regulation, and for that reason it was difficult to impress upon them the need of filling orders carefully.

The manager of the shipping department suggested that the checkers should be required to report to the foreman all errors

which they discovered. By noting on the checkers' records the number of errors discovered, the company could secure a more satisfactory index of their efficiency; the order fillers also would exercise greater care in performing their duties if they knew that records were kept of all mistakes found by the checkers. The manager realized that there was a serious difficulty in securing this information, because the men did not like to give any information to their superiors concerning the mistakes made by other workmen. In all departments of the company there were shop committees composed of employees, and each committee elected one of its members to act as a representative of the workmen to discuss with the officials matters of discipline and working conditions affecting the men.

The company decided to accept the suggestion of the shipping department manager to enter on the checkers' records, in addition to the number of errors reported by customers, the number of errors which had been made by the order fillers and discovered by the checkers. Through the representative of the shop committee, it was believed possible to convince the employees in the shipping department of the soundness of this policy. By the inauguration of the new system it was expected that the order fillers would be made to feel more directly responsible for the quality of their work as well as for quantity. In spite of the expected difficulty in persuading the checkers to report all mistakes made by order fillers, the company was convinced that it eventually would secure the advantage of an exact index of the checkers' efficiency and at the same time place more responsibility on the order fillers themselves. It was decided, furthermore, that advances in wages were to be influenced in the case of the order fillers by the number of mistakes reported in their work, and in the case of the checkers by the ratio of the number of mistakes discovered to the number of mistakes mentioned by customers. An additional penalty was imposed in this way upon the checkers if they failed to report the number of mistakes which they corrected. By making these changes, the company expected a marked decrease in the number of orders improperly filled, with a corresponding decrease in the number improperly shipped.

COMMENTARY: Under the arrangement first outlined in this case,

the company had not fastened responsibility upon the order fillers for assembling items correctly preparatory to shipment, nor had it devised incentives for the order fillers to bring their accuracy to a high level.

The corrective measures proposed by the shipping department manager marked a distinct improvement. The error-reporting system he proposed and installed, however, ran counter to the tendencies of the parties. One workman does not like to report upon another employee's work when both are associated intimately. Then, class feeling is likely to tinge that act as disloyal to a fellow worker. This situation must be distinguished from the relation between inspectors and workmen, in which the two groups are defined sharply. On account of class feeling, the reporting system adopted in this case was likely to result either in collusion by order fillers and checkers to correct errors or in ill will between all parties. The two groups were in constant contact and no sharp line of division existed between them such as exists normally between supervisors and supervised.

The order fillers and checkers could not have been segregated without rearranging the shipping department. The case does not present adequate background upon which to base any recommendation for rearrangement of the department, nor does it indicate the seriousness of the problem either by a statement of the error ratio or the ratio of the number of shipments calling for assembly of units from broken packages, to the number of shipments made up of one or more unbroken packages. Departmental rearrangement in this case might have cost far more than the saving probable therefrom because of fewer errors in shipments to customers.

The error-reporting system outlined in the case required strict enforcement through energetic supervisory action. Under lax supervision, the employees unquestionably would have tended to overlook one another's errors.

July, 1926

J. W. R.

JENNINGS WIRE COMPANY¹

MANUFACTURER—WIRE

WAGES—*Bonus Paid per Unit of Production in Excess of Average Output.*

A company manufacturing wire recognized that its wire drawers were dissatisfied with their wages and that, in view of the unpopularity of wire-drawing work and the growing scarcity of wire drawers, a wage increase was necessary. Instead of granting a flat increase in the piece rates paid the wire drawers, the company decided to pay bonuses based on production in excess of average output in the preceding year. This plan was expected to provide an incentive for increased output and also to meet the demand for larger wages.

(1923)

In 1923 the Jennings Wire Company had booked orders that necessitated the operation of its plant at full capacity for several months. At the same time, the company became aware of a growing shortage of wire drawers. The executives wished to devise and apply a system of compensation that would serve as an incentive to the wire drawers to maintain and perhaps increase their diligence, and that also would induce them not to seek employment elsewhere.

The Jennings Wire Company employed about 800 men for the machine operation of wire drawing. Their principal duties were to place large coils of metal in the machines, and to be sure that the finished wire was coiled properly. Each completed coil was tied to prevent unwinding or tangling and was placed on a truck which, when loaded, was removed to the finished-stock room.

The work on these machines involved the lifting of heavy coils of wire and other hard physical labor. The job was dirty, unpleasant, and dangerous even under the most favorable working conditions which the company was able to provide. During the spring of 1923, when there was a tendency for wages to increase because of rising living costs and scarcity of labor, the company became aware of a growing dissatisfaction with their wages on the part of the wire drawers, and also of the difficulty of securing additional men for the work. The company had employed chiefly immigrant labor in the wire-drawing department. Inves-

¹ Fictitious name.

tigation by the company's executives disclosed the fact that the number of immigrants coming to the community would be insufficient to fill the personnel needs of the company in case any marked increase in the rate of labor turnover in its plant took place. Furthermore, the unpleasant nature of the work caused the sons of the men working as wire drawers to seek other types of employment instead of following the work of their fathers. The same condition applied to the common laborers in the factory. They did not attempt to qualify for the jobs on wire-drawing machines, but showed an inclination to find machine work with other companies where the processes were more attractive. As a result of these circumstances, the Jennings Wire Company undertook to determine upon a method of compensating the wire drawers so that an adequate labor supply for continued production would be assured.

When this difficulty arose, the men on the wire-drawing jobs were being paid a flat piece rate calculated on units of 100 pounds of finished wire. The rate had been set so that the average workmen were able to earn at least the usual wages in the community for work of that type. For each two men performing the actual wire-drawing operations there was one man who acted as a helper in handling the heavier coils. These helpers also pulled the completed trucks to the inspection stations and performed other miscellaneous duties. They received day wages at the going rate for unskilled labor. Under normal conditions, these men would have desired promotion to the job of wire drawing in order to earn the higher piece-rate remuneration which the machine operators received.

The men in the plant were not unionized to a sufficient extent to cause the company any anxiety over the possibility of a strike. Because of the increasing opportunities for employment in other plants, however, the company realized that it was becoming difficult to hold its force and, although there had been no unified demand for higher wages, the executives decided that an increase was necessary. They decided that the company could meet the problem best by granting to the men on wire-drawing jobs a bonus for all production above the average. The factory output for the previous year was analyzed to determine the average output per man in terms of pounds of finished wire. Raw material, overhead expense, and direct labor each consti-

tuted approximately one-third of the cost of the finished product. Previously, the company had not put any bonus or premium plan into operation. It was believed that the use of a bonus would give the men an incentive to greater production.

Under the bonus plan adopted, each man was expected to reach at least the daily average output per man in the department for the previous year. Those who did not exceed this average would receive only the standard piece rate per 100 pounds. For each 100 pounds produced in excess of the average, however, the worker was to receive in the form of a bonus a sum equal to one-half the overhead expenses ordinarily incurred per 100 pounds of average output. The company estimated that when the average production was reached, the usual overhead expenses were absorbed entirely and that all excess production, therefore, cost the company only the amount expended for material and direct labor. Since overhead expenses were one-third of the complete cost of the finished product, this meant that there was a saving of approximately one-third on each unit produced in excess of the average.

The company anticipated a slight additional expense in figuring and paying the bonuses, and also in providing additional supplies of material. It was the company's opinion that the use of the bonus plan would assure maximum production by giving each man a liberal return on all work in excess of the average. The demand for higher wages would be met because the men by increasing their production could increase their earnings. From the company's standpoint it was deemed more advantageous to grant the bonus than to grant straight increases in wages. The executives thought that an increase made without provision for securing greater production might tend to make the men more careless and less willing to improve their methods of work. On the other hand, the executives recognized that they might encounter difficulty subsequently if they attempted to cancel the bonus arrangement.

The wages of the helpers were not increased at the time the bonus plan was adopted. The company desired to make the wire-drawing jobs appear more attractive to the helpers, and thought that this could be done by allowing them to learn of the increased earnings made possible for the wire drawers. Inasmuch as the company's helpers were paid at least as much as the same class

of laborers in other factories in the vicinity, the company was at no competitive disadvantage in securing and keeping helpers.

COMMENTARY: The incentive plan of compensation presented in this case is worthy of attention because it was intended to meet problems which are faced by many manufacturers in a period of active business. At such a time, the rate of labor turnover increases, and the diligence of the typical employee declines, it is generally believed. From the company's standpoint, this bonus plan attempted to meet both of these adverse conditions.

The presentation in the case of the technical details of the operation to which this plan applied is incomplete. Apparently, the labor of the wire drawers and their helpers consisted chiefly in obtaining raw material, placing it in the machines, and removing the wire that had passed through the machines. The machine speed probably was fixed according to technical standards. In that event, increased production was dependent largely upon improved machine tending and attention to the operating condition of the machines. Under such circumstances, the offer of a bonus would not cause the operatives to overspeed the machines and thus to increase machine-maintenance costs or the percentage of damaged product. In other words, a liberal incentive for production above normal probably would not increase substantially overhead expenses per unit of product.

The financial aspects of the bonus plan are clear. The substantial saving in cost realizable from increased output in the Jennings Wire Company's plant reflected the importance in this case of the element of overhead expense in total manufacturing cost. Speaking in relative terms, it might be said that before the bonus plan was installed the 3 chief elements of manufacturing cost, namely, direct material, labor, and overhead expense, each were 100, and that total manufacturing cost per unit of product was 300. If, as a result of this bonus plan, output in excess of the average production of the organization was manufactured, the per unit cost of that excess output might be represented by the following relatives: raw material cost, 100; labor cost, 150; overhead expense, perhaps 10. The manufactured cost of the units produced in excess of normal operating capacity would be materially less than 300—under the assumption made, 260.

The statement of this bonus plan made to the employees could have been simplified to advantage. The reference to overhead expenses as the base of the bonus was unnecessary, since those expenses and wages were approximately the same. The plan would have had a stronger and more definite appeal if the bonus had been outlined as 50% of the regular piece rate paid for all production in excess of the standard.

A second question might be raised regarding the adequacy of the company's proposal in the event that subsequent to its adoption a general increase in wages occurred in the locality. The common-labor rate might have been raised 10% 60 days after this bonus scheme was installed. The Jennings Wire Company then necessarily would have given the laborers in its plant a commensurate increase in wages. It may be doubted whether the bonus plan would have operated satisfactorily thereafter if the wire drawers had not received a 10% increase in their piece rates. The piece rates of the wire drawers under the plan should have been changed in proportion to any changes made in the common-labor rates. These adjustments in the regular piece prices would have settled the question of fair basic wages, and the bonus inducement for maximum output then would have been made to men presumably satisfied with the fundamental financial terms of their employment. The degree of that satisfaction also would have conditioned the success of the bonus plan in reducing turnover among the wire drawers.

March, 1926

J. W. R.

RANDOLPH MANUFACTURING COMPANY¹

MANUFACTURER—METAL PRODUCTS

WAGES—*Weekly Basis Restored after Employees' Objection to Hourly Basis.* In a period of depression the company reduced the wages of its force 10%. It also began to calculate the wages of its six teamsters on an hourly basis. Previously, it had paid them weekly salaries. Soon after this wage adjustment the teamsters, who were union men, alleged that members of their organization were obstructing their progress on the streets and tampering with their teams because they had submitted to the wage adjustment. The teamsters stated that the best way to stop the intimidation would be to rescind the wage adjustment. The company continued the 10% reduction, but decided to restore the salary basis of wage payment.

(1920)

The Randolph Manufacturing Company, located in a large eastern city, manufactured metal products which were sold in carload and less-than-carload lots to distributors. The company employed 1,500 men normally. Probably not more than 20% of the company's workmen were members of labor unions. In the summer of 1920 the company experienced a decline in the volume of its orders and was compelled to reduce its working force to 1,000 men. The plant then was operating three or four days a week.

In September, 1920, the company reduced wages 10%. This cut applied also to six teamsters who were employed by the company and who were members of the teamsters' union. Prior to September, 1920, these six men had been paid weekly salaries. The salary paid each man had been based on the size of truck that he drove, the larger salaries being paid the men driving the largest trucks. The salaries had averaged approximately \$1 a week above the current union wage rate. The driver of the largest truck had received \$32.50 a week. The teamsters had been in the service of the company for a number of years and had rendered loyal and satisfactory service.

At the same time that the teamsters' pay was reduced 10%, the company decided to pay them an hourly rather than a weekly rate. These men had worked approximately 50 hours weekly

¹ Fictitious name.

and the company therefore divided their salaries, reduced by 10%, by 50 and thus arrived at hourly rates for them.

When the reduction in wages and the new basis of wage payment were announced, the teamsters did not raise any objection. Soon, however, they began to report that they were experiencing trouble in their work. They said that the union objected to their willingness to submit to the wage adjustment made by the company, and that other union teamsters were obstructing them in making delivery of goods by getting in their way on the roads and in the railroad yards and refusing to give them right of way. The company's teamsters stated, furthermore, that frequently after leaving their teams in the streets, even for a few minutes, they found that the traces of the horses' harnesses had been unhitched and that the harnesses had been tampered with in other ways, so as to endanger the horses and trucks. The teamsters asserted that the only way to avoid this trouble was for the company to restore the former salary method of payment.

The officials of the company were confident that nonunion men could be engaged to fill the places of the teamsters.

The company decided not to rescind the 10% reduction in wages of teamsters, but to restore the salary basis of wage payment.

COMMENTARY: This case is of significance as a study in motives.

The teamsters no doubt objected more to the new basis of wage payment than to the 10% reduction, which also was sustained by other employees. The new basis of wage payment, in view of the curtailment of the company's operations, resulted immediately in the teamsters' receiving a cut of 30% to 50% in addition to that imposed upon the other workers. Very likely, the teamsters felt that the adjustment was discriminatory.

The case states that they raised no objection to the revised terms of employment. Their attitude did not necessarily indicate satisfaction with those terms; it may merely have reflected the existing labor surplus and the men's unwillingness, probably because of their previous satisfactory relations with the company, to raise concerted objection to the company's action.

The stories of intimidation on the part of other members of the union, related by these six teamsters, were plausible but not conclusive. The case does not state the company's opinion of these allegations. It is quite probable that other members of the union did hector the

Randolph Manufacturing Company's teamsters and that the dissatisfaction of the latter group with the wages they were receiving made them unusually sensitive to banter, and caused them to be more irritated by delays of traffic than they had been previously. This irritation probably was the basis for the stories which the men related. It is not unlikely that the men, by elaborating upon the delays imposed by traffic conditions, wished to excuse delays that they deliberately planned in order to increase their weekly earnings by increasing the number of hours worked per week.

The merit of the hourly basis of wage payment is doubtful in the case of teamsters. These workmen ordinarily are not under close supervision. In an effort to increase weekly earnings they may delay deliveries and, in consequence, impose far more cost upon their employer as the result of customers' dissatisfaction than the employer can save in wages through use of the hourly basis of payment.

The fact that the Randolph Manufacturing Company could have hired nonunion men was not of great moment. The nonunion men would have been subject to far more intimidation than these six teamsters had withstood. Besides, the six teamsters were experienced in handling and delivering the company's products, and they were known to be trustworthy with property.

It is quite probable that the company realized its error in this matter and, upon reflection, sympathized with the men's objection to the new basis of wage payment. The company may have reverted to the weekly salary without investigating the men's allegations that they were being intimidated on the highways. The company could well have been slow to judge these men, since it had put serious temptations in their way by setting up a system that rewarded delay on their part.

February, 1926

J. W. R.

EUSTIS SHOE COMPANY¹

MANUFACTURER—SHOES

WAGES—*Method of Overcoming Employees' Opposition to Revision of Piece Rates.* The company established piece rates in its upper-leather cutting department, in which 80% of the men were union members, and found that the resulting average earnings of different groups of cutters varied according to types of materials used. Its effort to equalize the rates was denounced by radical employees, who demanded a 25% increase for all cutters. On account of the essential nature of the department and the volume of orders on hand, the company could not risk a strike. It proposed to reintroduce the day-rate system. Since the union day rate was less than the probable earnings under the company's revised piece rates, the opposition to those rates collapsed.

WAGES—*Equalization of Earnings from Piece Rates.* After a shoe manufacturer had set piece rates in the upper-leather cutting room, the earnings of employees in that department differed substantially. The inequalities were due to inadequate allowances for differences in the ease of cutting the several types of leather used. The company decided to equalize earnings by revising some rates upward and others downward. Although the more radical employees threatened to strike, the equalization of earnings was finally effected.

(1909)

The Eustis Shoe Company, located in a New England shoe-manufacturing center, produced 4,000 pairs of men's welt shoes a day in 1909. Although the factory was an open shop, the upper-leather cutting room was strongly unionized, 80% of the men belonging to the cutters' union.

In April, 1909, the company decided to put the work in this department on a piece-rate basis. At that time, the company was paying the union rate of \$2.85 a day to its cutters. When the piece rates actually were put into effect in June, the union day wage had advanced to \$3. This was the third increase for cutters within a year. The company decided to fix piece rates for cutters of various classes of upper leather in such a way that the average daily earnings would be \$3.10 to \$3.15.

After the cutting room was put on a piece-rate basis, production increased but the percentage of waste also increased. Nevertheless, costs were figured to be less than previously, when a flat

¹ Fictitious name.

day wage had been paid. The company experienced considerable trouble in adjusting the rates of cutters who worked on leather A. Two advances were made in the rates paid those cutters in the three months from June to September, but much dissatisfaction still existed. It was becoming increasingly hard to get men to work on leather A, because earnings of men on that work still were substantially less than the earnings of cutters at work on leather B and leather C.

In September, 1909, three months after the introduction of the piece-rate system, the men on leather A were receiving an average of \$2.85 a day; the men on leather B, \$3.50; and the men on leather C, \$3.25. The differences in wages resulted from the fact that in the rates adequate allowance was not made for the unequal difficulty of cutting the various kinds of leather. Approximately 20% of the cutters worked on leather A, 50% on leather B, and 30% on leather C.

The company decided to equalize the wages of the cutters and, after careful consideration, submitted a plan providing for increases in rates for cutters on leather A, and reductions of rates for men on leather B. For the men on leather C, some rates were lowered and others raised. These changes were intended to bring the average earnings for each group to about \$3.30 a day.

The cutters were asked to elect a committee to confer with the management, and complied with that request. The plan was explained to the committee. Apparently it was felt by all that equalization should be brought about. No outside man was called in; no emotion was evident at the meeting; no one voiced any objections. The chairman of the committee took the plan with him to present to the rest of the cutters, and promised to give the management a definite answer on the following morning.

The next day, a committee more than twice as large as that of the day before met the company's representatives. The members added to the original committee belonged to the most radical element among the cutters. Immediately, it was plain that a high state of tension existed. The spokesman, one of the men who had joined the committee overnight, accused the management of trying to deceive the men. He asserted that the management was maneuvering to bring about a substantial wage reduction affecting 80% of the cutters, under the cover of a scheme that purported to give equal advantages to all. He said that the

men had instructed him to state they would tolerate nothing of the sort. Then he proposed, instead, a schedule of piece rates that had been worked out the evening before by the men. He announced that a unanimous vote had been passed to strike immediately if the schedule of rates he submitted was not put into effect.

Cutting was the first process in the manufacture of shoes. Each day the men cut up leather worth many times as much as their wages. At least two years' time was required to train a leather cutter, and heavy loss of raw material was sustained in the training period. In this instance, the cutting room controlled the output of four shoe-manufacturing departments. About two days' supply of cut stock was on hand. A shutdown would have cost the company \$50,000 a week.

The company's representatives asked for a brief period in which to examine the schedule that had been prepared by the cutters. When the executives of the company looked over that schedule, they found that it amounted to a 25% increase for all. They also found that the rate scale contained obvious errors.

The officials then called the workers' committee into conference. A few rates in the workers' scale which were in accord with the original plans of the management were accepted tentatively. The officials then pointed out several of the most obvious errors in the workers' schedule and stated that they could not put that schedule as drawn into effect. They said that rather than use that schedule they would go back to the former system of day rates and pay the current union scale of wages, which was \$3 a day.

The workers' committee retired for deliberation. In a short time it returned and agreed to the company's original proposal to revise the existing piece rates in the interest of greater uniformity of earnings.

COMMENTARY: This problem arose because of hastily or inaccurately set piece rates, which resulted in discrepancies of earnings between employees of approximately equal skill working on various types of raw material in the same department.

The company's objectives in this case were to avoid a strike, to maintain the piece-rate system, to establish greater uniformity of earnings in the cutting room, to discourage coercive action by the cutters,

and to avoid making a concession that would increase its cutting-room labor costs substantially.

Points of strength in the company's position were: the relatively high rates of earnings of 80% of the men under the piece-rate system; the fact that the revised plan provided for earnings approximately 10% above the union scale; and the fact that at least 20% of the workers would have been benefited by the rate revisions the company proposed. On grounds of immediate personal interest, the cutters could not act as a unit either for or against the company's proposal.

The workmen were in a strategic position because of their skill. Cutting was a "bottle neck" operation; the company could not afford a strike in its cutting room in view of the orders on its books. The strength of the workmen lay in the economic circumstances of the moment, however, and not in any justice of their committee's hastily constructed demands.

The company's strategy consisted in depriving the radical leaders of a rallying cry with which to foment strike sentiment. The company offered to reestablish the union day rates in the cutting department if its proposal to revise the piece rates there was not acceptable to the men. Had the company insisted on revising the piece rates according to its plans as first announced, the radical leaders probably would have branded the step as unfair and then would have sought to stir up hostility to the company on that basis. After the company made the alternative offer, any strike that the employees called would have been offensive rather than defensive in nature. The employees in this case were not in a position to call an offensive strike. Such efforts usually depend upon organized effort broader than the individual shop. They either are general movements or localized tests of strength which, on the employees' side, are supported by workmen in other establishments. The committee's demand in this case had not been sanctioned by the national labor union of which the cutters were members.

The company had to resist the workers' hastily drawn and excessive demands, or else other similar demands would have followed.

The company's offer to restore the union day rate should not be viewed as an empty gesture. That alternative would have been preferable to a continuance of the discrepancies in earnings in the department, and certainly would have been preferable to an insistence upon the original proposal to revise piece rates, when that insistence might have brought on a strike.

The case illustrates the weakness of hastily constructed workers' committees which the rank and file do not feel obligated to support. The make-up of the committee in this case underwent a complete change

and its prevailing sentiment was reversed overnight. That is a probable outcome when a company is dealing with newly chosen committees that do not have prestige. If the occasion for negotiations with groups of employees is likely to arise, the company should ask its employees to select representatives and should agree with the workers upon an organized method of dealing before tension exists and is focused on a definite issue.

February, 1926

J. W. R.

KENDALL PACKING COMPANY¹

PACKER—MEAT

WAGES—*Overtime Wage Rules Revised.* An arbitrator, appointed by the United States Government during the World War, ruled that employees in meat packing plants under his jurisdiction were to be paid extra rates for work done in any day in excess of eight hours. Subsequently, in view of the sharply fluctuating receipts of live stock, he revised those rules to permit greater flexibility of operations in the several days of a week without the imposition of extra rates for overtime work.

WAGES—*Overtime Wage Rates Revised.* Employee representatives from the killing and cutting departments of a meat packing company, whose daily and weekly working hours fluctuated because of variations in market receipts of live stock, suggested that more flexibility be allowed in working schedules without the application of extra rates for overtime work. The existing high overtime rates had caused the company to organize large crews so as to avoid overtime work. The employees' suggestion was intended to induce the company to curtail its organization in their departments somewhat so that each regular employee would have an increased number of hours of work. An agreement made in the works council applied extra rates to hours worked in excess of 10 a day or in excess of 55 a week. The company obligated itself not to take advantage of this greater flexibility in overtime wage rules by increasing the average working period.

WAGES—*Weekly Wage Guaranty Instituted to Prevent Labor Turnover and to Improve Employee Morale.* A meat packing company which, chiefly because of irregular receipts of live stock, did not operate its plant the same number of hours each day or each week, guaranteed employees in certain processing departments wages for a minimum number of hours per week. That action was taken because previously the fluctuating earnings of workers in those departments had caused high rates of labor turnover and unsatisfactory employee morale.

(1922)

In the spring of 1922 the employees in the killing and cutting departments of one plant of the Kendall Packing Company, through their representatives on the works council, suggested to the management that certain revisions be made in the rules then in effect concerning overtime work. Those rules had caused the company to increase the number of its employees so as to reduce the need for overtime work. The employees who made this sug-

¹ Fictitious name.

gestion wished the company to curtail its organization in their departments somewhat, so that each regular employee would have more hours of work. As an inducement to the company to do this, the employees offered to accept some relaxation in the over-time wage rules.

This plant of the Kendall Packing Company, known as the Hartwell plant, was located in a large middle-western city. The company also operated packing plants in several other cities. In the killing and cutting departments of the plant, cattle, hogs, and sheep were slaughtered and their carcasses hung upon moving trolleys suspended from rails. The carcasses moved at uniform speed past the workmen, each of whom performed a particular task. In the cutting department the carcasses were divided into the "cuts" required by the trade. A side of pork, for example, was divided into ham, shoulder, bacon, and loin. Some of the workmen were engaged in removing by-products and offal.

The working time of men in the killing and cutting departments varied directly with the number of animals slaughtered, and that, in turn, depended largely upon the number of animals purchased by the plant. The number of animals purchased was a resultant of many considerations, among them the number and quality of the animals offered for sale, the prices current in the market, and the company's stocks of cut meats in relation to anticipated demand for its products.

One practice initiated by the company in the Hartwell plant before the World War was the payment of a minimum weekly rate to employees in the killing and cutting departments. This practice had been adopted in a number of other packing plants in the same locality. The original rule guaranteed each employee whose work fluctuated with shipments of live stock payment for 45 hours of work each week, whether the employee worked that many hours or not. Prior to the adoption of this rule there was a comparatively high rate of labor turnover in the industry, since employees having several weeks of intermittent work because of low receipts of live stock became dissatisfied with their earnings, which then were based on the hours actually worked. Under those conditions, many workmen sought employment elsewhere.

Most of the plant's workers performed one operation only; nevertheless, they had to be experienced in their respective tasks in order to perform them efficiently and to avoid waste of ma-

terial. The adoption of the guaranteed minimum-wage plan had improved employee morale in the killing and cutting departments.

Shipments of live stock to the primary market in which the company's Hartwell plant was located varied widely from season to season, from week to week, and from day to day. The supply of live stock in that market depended upon shipments by growers in middle-western and western states. During the spring months of March, April, and May, beef shipments from the corn belt were heavy. The farmers there tried to empty their feed lots by June, for then they had to devote themselves to the raising of grass and other crops. In July the cattle that had been grass-fattened on the southwest range or in Kansas and Oklahoma pastures began to arrive at the primary markets. This condition continued until the middle of August, when the grass cattle of the Southwest began to be replaced by the range cattle of the Northwest. The supply of range cattle did not cease coming on the market until the end of November.

The receipts of hogs varied more sharply than those of cattle. Hog receipts in December and in January were almost twice as large as in any month in the late summer season. The low months in the slaughter of sheep and lambs were February, March, and April. During the second half of the year, except in November, monthly sheep killings probably were 50% greater than in February, March, or April.

The daily variation in receipts of live stock was marked. In 1922, for example, 35% of the week's supply of cattle was put on the market on Monday. The percentages for other days of the week were: Tuesday, 18.2; Wednesday, 18.8; Thursday, 18.4; Friday, 7.5;² and Saturday, therefore, approximately 2.

The chief buyers of live stock in the primary market at which the Hartwell plant was located were packing companies, representatives of local butchers, speculators, and agents for cattle feeders. Those buyers usually purchased all the merchantable live stock that was shipped to the market. The buyers had no control over inward shipments by growers. A temporary shortage which forced the price of live stock up in the market had its aftermath a week or 10 days later when shipments arrived in response to the fluctuation. The executives of the Kendall Pack-

² Institute of American Meat Packers, *The Packing Industry*, p. 54.

ing Company at the Hartwell plant did not know at any time how many animals would be received in the market during the following week; they could not decide beforehand on their purchases, hence they could not predict the number of people they would have to employ in the killing and cutting departments or the hours those employees would have to work during that week.

On December 24, 1917, the Kendall Packing Company and several of the largest meat packing companies in the Middle West entered into an agreement with the United States Government, the essential provision of which was that for the period of the war all differences between the packers and their employees should be submitted for settlement to an arbitrator appointed by the government. A labor union in the industry signed a similar agreement with the government. That labor organization had affiliated local unions in most of the other meat-packing centers in which Kendall plants were located. There was no agreement between the packers and the union, as the packers did not wish to recognize the labor organization or to deal with it formally.

One of the first issues arbitrated under this agreement related to payment for overtime work. In discussing the issue, the arbitrator said:

It is likewise true that if the overtime beyond the economic day's work is continued on successive days for any considerable time, the impaired results of the labor and the inefficiency of the laborer would not be limited to the overtime itself, but be reflected in the entire day's work as well. The higher rate serves to deter employers from unnecessarily requiring employees to work at such times; but if such work is necessary it serves also to compensate the employee for the added sacrifice he makes in so working at times when he should have his liberty.

As to overtime pay for week days, the employers, while conceding the general fairness of the principle, contend that the overtime should be allowed for the excess of hours served in the week. That is, if the basic day were 10 hours, excess time should be allowed only if in the week over 60 hours were served. This system is in vogue in many industries, but I do not think it tends so well to serve the purpose of minimizing the daily hours, or rather of equalizing them from day to day, as would the daily application of the principle. If with the 8-hour day the employers may with immunity work the employees 16 hours daily for 3 days of the week, and not at all for the others, they might regulate their stock purchases and holdings accordingly, whereas, if the added pay for overtime applied to the days, they would be more likely to make effort to conform to the 8-hour day, as it would probably be

more to their advantage to carry over some of the stock for another day or two than to pay the added rate for overtime.

The most usual and customary rate for week-day overtime is time and one-half, and as to such time served beyond 10 hours I have no hesitancy in fixing that rate. I am convinced, however, that for a very considerable time after the basic 8-hour day becomes effective, at least until employers and employees have become adjusted to the new conditions, it will from time to time be necessary to serve some overtime. In view of this fact I do not believe it would be fair, at least until long enough after the basic 8-hour workday becomes effective to determine more definitely from experience in this industry, to impose on the first 2 hours so large a penalty as for the excess over 10 hours; and I have accordingly concluded that on and after next May 5 for the first 2 hours of week-day overtime the rate of compensation shall be time and one-fourth.³

Another question decided by the arbitrator related to guaranteed weekly wages. The existing guaranties of a specified number of hours' pay per week were based on the 10-hour day, and the employers contended that if the 8-hour basic day was to be introduced, a corresponding reduction should be made in the number of hours' pay guaranteed per week. The arbitrator ruled that the weekly guaranty was to be 40 hours, and that for any week in which a holiday occurred the guaranteed time was to be 33½ hours. These rulings were to become effective May 5, 1918.

On March 2, 1919, another award by the arbitrator changed the basis of payment for overtime work. All time in excess of 8 hours a day was ordered to be paid for at 1½ times regular hourly rates. The arbitrator in making this rule referred to the more plentiful supply of labor at the time and to an increasing public conviction that the 8-hour day was proper in industry.

On April 12, 1919, the packing companies agreed with the Federal Government to continue the agreement of December 24, 1917, for a period of "one year after peace is declared," and on June 4 the union also agreed with the Federal Government to continue their agreement for a period of "one year after the end of the war."

In the summer and fall of 1919, several demands were made by that labor organization. One demand was for the 44-hour week. The Saturday workday was to be reduced to 4 hours, and the

³ Decision quoted in United States Bureau of Labor Statistics, *Monthly Labor Review*, Vol. 6, No. 5, pp. 115-127.

other days were to be 8 hours in length. The arbitrator did not allow that demand. He was of the opinion that the 44-hour week would be burdensome and that the transition from the 10-hour day previously in effect to the 44-hour week could not be made economically at the time.

On February 21, 1921, the packers notified the United States Secretary of Labor of their intention to terminate the original agreement and the extension thereof on the ground that the war really had ended although peace had not been declared formally. This information was communicated by the Secretary of Labor to the employees' representatives and to the arbitrator.

In pursuance of their announced policy, the packers notified their employees: (1) of a reduction in wages, effective March 14, 1921, of 8 cents an hour for employees working on an hourly basis and of $12\frac{1}{2}\%$ in the rates of pieceworkers; (2) that overtime rates of pay would apply after 10 hours' work a day or after 54 hours' work a week, instead of after 8 hours' work a day; and (3) of retention of the guaranty of 40 hours' pay per week.

The union protested to the President of the United States against the packers' announcement, which the union held was a violation of the agreement by the packers, and the entire matter was referred to the Secretary of Labor. Representatives of both sides met the secretary in Washington on March 21, 1921. In the meantime a vote by the union workers had resulted in favor of a strike. Several meetings of employers' and union representatives were held with the Secretary of Labor, and on March 23 the employers and the employees each signed an agreement with the secretary. The text of the two agreements was the same except that the last paragraph in the employees' agreement was omitted from the employers' agreement.

The wage cuts of 8 cents per hour for hourly workers and $12\frac{1}{2}\%$ for all pieceworkers shall remain in effect as of the dates announced by the packers and shall not be subject to any further arbitration. If any further reductions are desired, they shall be submitted to the administrator.

The basic 8-hour day and overtime rates as announced in the latest rulings of the arbitrator shall be restored, subject, however, to the right of the employers or employees to submit to him, if they desire, any question as to changes therein.

The agreement of December 24, 1917, and extensions thereof and all

decisions thereunder (except as herein modified) shall remain in effect until September 15, 1921, at which time the agreement and all awards thereunder and supplemental and renewals thereof and understandings connected therewith shall absolutely terminate.

The present arbitrator, or his successor, as administrator, shall until said date retain and exercise all of the jurisdiction and authority heretofore existing and the employers and employees shall abide by his decisions in all matters of jurisdiction and powers under the administration and all subjects of hours, wages, conditions, and adjustments thereof, excepting as hereinbefore set out. The employers and employees shall, however, be permitted to put into operation plans whereby they may develop a method to handle between themselves all matters of mutual interest so long as they do not interfere with the administration.

Any questions relating to hours or wages that may be submitted to the administrator during the continuance of the agreement shall be submitted on written briefs, unless otherwise requested by the administrator.

We understand and appreciate that this agreement contemplates and covers the exigencies and conditions at this time in the packing houses within the present arbitrator's administration, without relation to industrial conditions or wages generally.⁴

During the spring of 1921, several of the large packing companies submitted plans of employee representation to their employees. The Kendall Packing Company proposed a representation plan to its employees, and the plan was accepted by about 70% of them. That plan established a works council which was to discuss matters of mutual interest to the employees and the company. The works council would have advisory authority only. The constitution stated that the jurisdiction of the works council extended to wages, hours, working conditions, and welfare activities.

On July 14, 1921, the arbitrator handed down the following decision:

A. For the present the employers' requested further reduction of 5 cents per hour in all wage rates is denied.

B. Employers may at their option upon three days of each week work their employees 9 hours before being required to pay overtime rates for such days, or, if they prefer, they may work them 1 day of each week 10 hours, and 1 other day of that week 9 hours before being required to pay overtime rates for such days, the overtime rate as to the other

⁴Quoted in *Monthly Labor Review*, Vol. 12, No. 4, pp. 180-181. The last paragraph of this statement was not included in the agreement signed by the representatives of the employers.

days of the week to remain as heretofore. If, during any such week, more than 48 hours be worked, overtime rate shall apply to the week's time worked in excess of 48 hours. Holiday rates are not affected.

C. In computing "guaranteed time" any overtime or holiday work during the week shall be figured at the number of hours represented by the pay rate therefor, that is, time and one-half for an overtime hour shall be considered as $1\frac{1}{2}$ hours of work applicable on the 40-hour guaranty. This and the prior section of the award shall be effective July 17, 1921.

D. The administrator retains jurisdiction of this proceeding, and the right to make further reductions in wages, and changes in the matters and things above awarded, as during the administration from time to time may by the administrator be deemed necessary and for the best interest of all concerned.⁵

On September 15, 1921, the term of the federal arbitrator came to an end according to the agreement signed in Washington on March 23, 1921. On December 5, the packing companies put into effect a wage cut which brought about a strike on the part of the members of the national labor union already referred to. The strike was marked by violence, although it was evident after a few days that only a minority of the employees were in sympathy with the strike. After a period of six months, the strikers admitted defeat, although they maintained that their efforts to strengthen their organization would not be relaxed.

When the workers in the killing and cutting departments of the Kendall Packing Company's Hartwell plant suggested a revision of overtime wage rules in the early spring of 1922, they stated that they wished to obtain more of the work which resulted from heavy shipments of live stock on particular days. The excess rates for overtime work had caused the Kendall Packing Company to endeavor to avoid overtime operations. As a means of accomplishing this, the company had increased the size of the crews. In consequence the employees during weeks of relatively light purchases of live stock were not able to obtain 48 hours of work.

The average weekly work period in the company's killing and cutting departments was 49 hours. In individual weeks, however, employees in those departments had worked as long as 55 and 60 hours. Approximately 40% of the workers employed in the Hartwell plant were employed in those departments.

⁵ Quoted in *Monthly Labor Review*, Vol. 13, No. 3, p. 141.

While negotiations were in progress, the employee members of the works council interviewed workers in the killing and cutting departments and obtained their views on the subject of overtime rates. A question had arisen in the minds of the workers as to whether the company might take advantage of a modification of the overtime rules and require more overtime than was wholesome. The workers desired assurance on this point.

The company representatives stated that they did not desire to return to the 10-hour day as a regular policy. They did desire more flexible working schedules, without the imposition of overtime rates, than were permitted under the latest ruling of the arbitrator. The company did not wish to abolish the minimum weekly guaranty of 40 hours' wages.

The agreement concluded in the works council was as follows: The weekly guaranty of 40 hours' wages was retained. This applied to employees paid on an hourly basis. The guaranty during a week in which a holiday occurred was to be wages for 33½ hours. Wages at 150% of regular rates were to be paid for service in any day in excess of 10 hours and for service in any week in excess of 55 hours. The company undertook to maintain the current average weekly working period of between 48 hours and 50 hours. When large purchases of live stock caused the company to operate its plant more than 50 hours a week, those operations were to be deemed exceptional and not precedents justifying a return to longer hours of labor.

COMMENTARY: The arbitrator's decisions in this case indicate a gradual change of position. At the outset he judged overtime work almost exclusively from the employees' standpoint. In his original decision he refused to apply the weekly basis of 48 hours in calculating overtime on the ground that that arrangement would not cause the employer to operate his plant a uniform number of hours daily.

The arbitrator's aim was not to be realized by this measure, as much of the overtime in this plant occurred on one or two days each week, a condition which resulted from fluctuating supplies of raw materials. The company had to purchase live stock on favorable market days, notwithstanding the extra rates for overtime work.

In order to avoid those rates, this company expanded its killing and cutting crews. In consequence, work was not regularized; rather, work per man was cut down.

The rulings of the arbitrator requiring the company to make extra

payments for overtime work were not open to abuse by the workers in the killing and cutting departments, in view of the system of mechanical production control in effect. The materials worked on in those departments were transported on traveling conveyors which moved at regulated speed, and the employees were obliged to gear their activities to the flow of the materials. The situation would have been different in an operation controlled largely by the worker. Under the basic eight-hour day, instances have been reported of both day-workers and pieceworkers who labored at reduced speed during regular hours so that they could prolong overtime work and thus could obtain the higher rates paid for overtime labor. The company had no reason on that score to desire a revision of the overtime wage rules established by the arbitrator.

In view of the existence of the minimum weekly wage the company should have been allowed at the outset the flexible working schedules which the last decision quoted established. Because of these special circumstances, no general conclusion regarding overtime rules in an industry in which overtime days and short-time days normally occur during the same week should be drawn from this case.

The employees' request for a reduction in the size of the crews employed in the killing and cutting departments was made in the spring, a time when the slaughter of hogs and sheep normally declined and when the slaughter of cattle ordinarily was below the average. Employees who had been needed temporarily during the busy season probably had been released. The employees who remained wished to prevent the hiring of so many temporary employees at the next busy season. Moreover, the regular employees had experienced slack operations during 1921 on account of the generally depressed conditions of trade at that time.

There is doubt whether the company could operate in busy seasons without hiring some extra employees. The case reports that although on an average the men had worked 49 hours a week, they at times had worked 55 or 60 hours a week, an increase of from 12% to 22% above the average. The case states, however, that the slaughter of hogs in some months was double that in others and that the slaughter of sheep in some months was 50% greater than in others. For sheep and hogs, therefore, it appears that the Kendall Packing Company would have been obliged in seasons of heavy receipts to expand its regular crews or to organize additional crews in the killing and cutting departments, regardless of the basis of overtime compensation. The labor surplus existing at the time, and the fact that much of the work required only semiskilled operators, made it easy for the company to expand its crews, whenever necessary, because of fluctuating receipts of live stock.

Under those conditions, average earnings per employee were restricted.

With regard to the daily variations in hours of work during weeks when approximately the average number of working hours occurred, therefore, the employees who advanced the demand for adjustment of overtime terms were likely to gain financially from conceding a reduction in overtime rates in return for a curtailment of the normal work force so as to have more working hours per man per week.

One feature of the agreement negotiated in the works council deserves special mention. That was the company's statement that it would not take advantage of the more flexible rules adopted concerning the application of overtime wages and that it would not use occasional instances of overtime as a precedent for increasing the weekly hours of labor. A statement of this kind indicates that labor relations are being placed upon the basis of good faith and that long-run considerations are governing labor policies. In putting that type of relationship into effect, some organized method of dealing is essential. In this case, the company's officials were able to pledge to representatives elected by the employees involved in the settlement, that the company would not use to the detriment of those employees a privilege to which the representatives had consented with some misgiving.

August, 1926

J. W. R.

MOSSLEE PACKING COMPANY¹

PACKER—MEAT

WAGES—*Base for Computing Wages for Special Work Under Minimum Weekly Wage Guaranty.* During a week containing a holiday, four men in the sheep-killing department of a packing plant each did special work for 9 hours in addition to the 27½ hours worked by them in company with the other employees in their department. All men in the department were guaranteed, as a minimum weekly wage, payment for 40 hours, or in weeks containing holidays, 33½ hours' labor. The 4 employees, by a motion in the works council, contended that instead of being paid for the 36½ hours they actually had worked, they should receive wages for 33½ hours (as, by reason of the minimum-wage provision, did their associates who had worked only 27½ hours) plus wages for the 9 hours' additional work, or for a total of 42½ hours. This motion was approved by the council.

(1924)

In September, 1924, the representatives of the sheep-killing department of the Mosslee Packing Company's meat packing plant introduced a motion in the works council that 4 men who during the week from August 30 to September 5 had worked 36½ hours be paid for 42½ hours. The works council, composed of 9 employees and 9 management representatives, was empowered to consider the claim and to recommend suitable adjustment for approval by the management.

Witnesses called by the works council established the following facts: The Mosslee Packing Company, in common with other packing plants in the city in which that company was located, guaranteed a minimum of 40 hours' pay per week to employees in the killing and cutting departments, except for those weeks in which holidays occurred, when the guaranteed wage was 33½ hours' pay. Prior to the adoption of this guaranty, the fluctuating receipts of live stock had caused employees in the killing and cutting departments to receive low earnings in weeks of light shipments; as a result there had been a high rate of labor turnover in those departments. The provision for a minimum wage had reduced the rate of labor turnover and was satisfactory to the packing companies and their workmen.

¹ Fictitious name.

During the pay period including September 1, Labor Day, the 4 men initiating this request for $42\frac{1}{2}$ hours' pay worked as follows:

Date	Regular Work (hours)	Special Work (hours)
Saturday, Aug. 30.....	7	4
Monday, Sept. 1 (Labor Day).....	....	....
Tuesday, Sept. 2.....	5	3
Wednesday, Sept. 3.....	4	....
Thursday, Sept. 4.....	$4\frac{1}{2}$	2
Friday, Sept. 5.....	7	....
Total.....	$27\frac{1}{2}$	9

Each of these 4 employees had spent $27\frac{1}{2}$ hours at his regular work and 9 hours at special work of cleaning and painting the workroom in preparation for the annual live-stock show, which was to be held soon.

Although the rest of the crew of which the 4 men were members worked only $27\frac{1}{2}$ hours, they were paid for $33\frac{1}{2}$ hours under the minimum-wage guaranty for holiday weeks. The 4 men had worked $36\frac{1}{2}$ hours and had been paid for that time; the rate for their regular work had applied also to the special work. The men claimed that they deserved pay for $42\frac{1}{2}$ hours, contending that they, in common with their associates, should receive payment for $33\frac{1}{2}$ hours, and, in addition, payment for the 9 hours spent in cleaning and painting the workroom. Their regular work was done upon carcasses passing along on a conveyor.

A discussion followed the hearing of witnesses. One management representative said that to his way of thinking these 4 men had no grievance whatever; they had been paid for every hour they had worked, and were entitled to no more. The rest of the workmen in the department, he said, were fortunate in receiving pay for $33\frac{1}{2}$ hours when they had worked only $27\frac{1}{2}$ hours. In his opinion, the company, by paying a majority of the men for more hours than they actually had worked, was the only party that had sustained a loss.

The management representative was followed by an employee representative who pointed out that the four men were butchers and that the special work they had done was that of common laborers. He implied that cleaning and painting the department

was a hardship for the men. The employee representative also stressed the fact that in doing this extra work the four men had worked longer than the others in the crew.

A second member of the management group said that he always respected workmen who did what their employers asked them to do. He held that the company had treated the men liberally in paying them for the special work at the hourly rate for butchers rather than at the rate for common labor. An employee representative then moved that the 4 men be paid for $42\frac{1}{2}$ hours as they requested. The voting resulted in a tie, and the question was reopened for discussion.

The management representatives continued to hold that the 4 men had suffered no hardship. The employee representatives, on the other hand, contended that those men had worked 9 hours longer than their fellow workmen and, therefore, deserved 9 hours' wages in addition to those received by the rest of the crew. After 3 votes had been taken, each of which was a tie, the motion was tabled.

At the next regular meeting of the works council, a month later, the issue was reopened. The employee representatives advanced practically the same arguments as before. One management representative stated that, after giving the matter careful thought, he had concluded that the employee representatives were justified in their contention. It then was moved that men working in excess of the time worked by the rest of their crew should receive pay for the excess in addition to whatever sum was received by their associates, whether the guaranty provision was involved or not. This motion was voted upon with the following result: employee representatives, 9 in favor; management representatives, 6 in favor, 3 opposed.

COMMENTARY: The parties in this case were at odds regarding the base to which the 9 hours' special work of 4 employees should be added in calculating their wages. The employee group wished to add the 9 hours to the minimum-wage guaranty; the management group wished to add the 9 hours' special work to the actual hours spent at regular tasks.

Apparently the company deemed that the guaranty was made to each workman as an individual, and that it could total the aggregate due each man for regular and special work before deciding whether the wage guaranty afforded him any payment in addition.

It is important to note the different attitude of the workmen: they thought that since the 4 men had worked 9 hours more than their fellows upon a special assignment, they deserved wages for 9 hours in addition to the amounts received by the rest of the men.

Had the company persisted in paying these 4 men for $36\frac{1}{2}$ hours' work instead of for $42\frac{1}{2}$ hours' work, probably no one in the department would have volunteered to do special work thereafter. The guaranty applied to all the men in the department. The several members of the department normally were occupied an equal period of time in processing raw material. Special work was on an independent footing, and, therefore, the men were right in their contention that it should be paid for in proportion to its duration, without reference to the guaranty.

November, 1925

J. W. R.

REDMOND COMPANY¹

MANUFACTURER—MACHINERY

WAGES—*Adjustment of Foreman's Wages Requested After Comparison with Subordinate's Wage.* A foreman asked for increased pay on the ground that one workman in his section occasionally earned more per week than he did. The employment manager, by pointing out that these weeks of high earnings occurred only once in two months, and that the foreman's position was more certain than that of the workman in times of business depression, induced the foreman to withdraw his request.

A foreman employed by the Redmond Company asked for an increase in salary on the ground that one of the workmen in his section occasionally earned more per week than he did.

The Redmond Company manufactured machinery and sold it in the northeastern portions of the United States and in several foreign countries. The company's plant was located in a suburb of a large eastern city. The factory was divided into 32 departments. At the head of the plant organization was a superintendent, who had under him a production manager, a foundry superintendent, an equipment superintendent, a chief draftsman, and an office manager. The production manager in turn had under him three general foremen who supervised the department foremen. The department foremen were assisted by section hands. Routing of work in the factory was controlled by a planning organization through the use of accurate production schedules.

Brown, who presented the demand for increased wages, was foreman of the milling-machine department. He had started to work with the company as a milling-machine operator. After several years, he was promoted to the position of section hand, in charge of 10 men. In that position, he did not operate a machine; his principal tasks were to assign work, maintain machines, and instruct men. For inexperienced men, he set up machines, processed the first few pieces of each lot, and sharpened tools. Experienced workmen, however, set up work on their own machines and sharpened their tools. At the time of this case, workmen in Brown's department had a base wage rate of 55 cents an hour, whereas a section hand had a base rate of 65 cents an hour.

¹ Fictitious name.

After Brown had worked as a section hand for some time, he was made foreman of his department. He was promoted by the general foreman after conference with the employment manager, the production manager, and the superintendent. Brown, as foreman, had charge of 50 men. His duties consisted of the general supervision of the milling-machine department. A foreman's wages at that time were 90 cents an hour.

One workman in the milling-machine department was exceptionally adept at certain tasks. For several hours and even days at a time he earned, at regular piece rates, \$1.25 an hour. On one particular task this man could process twice as much as any one else who had tried the work. The foreman, in his endeavor to process scheduled work on time, assigned this particular work to the exceptionally adept worker.

One week the foreman, Brown, received \$46.80 and the adept operator, by working all week on the particular job at which he was most proficient, earned \$65, or approximately \$1.25 an hour. Brown, who knew the earnings of his men, went to the employment department and asked for an increase in wages.

The employment manager knew that Brown was receiving wages in line with the rates paid other foremen in the plant. The employment manager also was convinced that it would be unwise to lower the piece rate on the task mentioned, as that would reduce the operator's incentive to maintain a high output each day. He also feared that to lower any piece rate would cause many workers to slow down to prevent similar reductions in rates.

The employment manager, upon inquiry, found that the job upon which the operator earned \$1.25 lasted for about one week out of every two months. The employment manager then pointed out to the foreman that although the operator would make large earnings on this particular task, on the other tasks he would earn his average wages of about 65 cents an hour. The employment manager also pointed out that only upon exceptional occasions could this workman remain for an entire week upon this particular task. Both the employment manager and the foreman knew that if slack times came the operator probably would be put upon a short-time basis or might even be laid off. The foreman's job was relatively permanent. After the employment manager had talked over these various phases of the situation

with the foreman, the foreman appeared to be satisfied and withdrew his request for higher wages.

COMMENTARY: This foreman had rated his personal worth on the basis of his weekly earnings, which he had contrasted with those of operatives. Since the differential had served to indicate to him his merit as an individual, the foundation for his self-respect was weakened when that differential was narrowed.

Presumably the general level of foremen's compensation was satisfactory throughout the plant. To have granted this one request would have led to similar demands from other foremen when they learned of the increase. The significant point of the case, therefore, is the sound strategy of the employment manager in furnishing the foreman with new bases of comparison. He asked the foreman to compare his earnings with those of exceptional and of typical operators over a period of several weeks. From this standpoint, the wage differential was seen plainly to favor the foreman. The employment manager also asked the foreman to contrast the security of his position with the security of the positions of his subordinates. These comparisons afforded the foreman new bases for satisfaction in his position.

February, 1926

J. W. R.

BOXLEY CONSTRUCTION COMPANY¹

BUILDERS

LABOR SUPPLY—*Methods to Assure Adequacy at Transitory Locations.*

A company which erected structures in the eastern part of the United States had difficulty in assembling competent labor at points at which it was to construct buildings. The employment manager, by a record system, succeeded after six years in building up a prospect file of qualified labor in many localities. The employment manager also created a skeleton operating organization which could be sent to any point where the company was to erect a building.

WORK INCENTIVES—*High Wages Inadequate as Sole Incentive to Foreign-born Laborers to Work Steadily.* In 1920 a company which erected buildings in the eastern part of the United States found that its foreign-born laborers, because they were earning more money in wages than they thought necessary to meet their requirements, did not wish to work regularly. As the company needed the labor of these men, it sought an appeal that would cause them to continue at work. The executives explained to the men the temporary nature of their high earnings and the importance of creating personal surplus funds. This appeal proved to be effective.

(1920)

The Boxley Construction Company erected office buildings, factories, apartment houses, and other large structures in the eastern part of the United States. The company's high rate of labor turnover, and the difficulty experienced in obtaining workers at various places at which it was to begin operations, had caused the company in 1914 to engage an employment manager. The employment manager made a preliminary investigation of the company's methods of employing workers.

The employment manager found that after the company had contracted to construct a mill or other structure at a certain point, it sent a staff of engineers and general executives to that place. These officials hired local mechanics and unskilled laborers, but additional workers often had to be obtained from near-by cities. The superintendent in charge of the construction work usually wished to appoint foremen immediately. It was difficult for a superintendent to judge accurately the capacities of the workers at the time they were hired, however. He could

¹ Fictitious name.

do so after several weeks, but delay in organizing the construction crews was costly.

As a result of his investigation, the employment manager decided to try to build up a skeleton organization which could be sent to any place at which the company was to undertake construction work. This skeleton organization would furnish the foremen, at least temporarily, and also would train the locally employed laborers in the company's methods of erecting structures.

At the same time, the employment manager began to keep a record of all workers whom the company employed. A card was prepared for each worker. On this card were recorded the man's name and address, the type of work he was qualified to do, a notation as to his character and personality, his marital status, and his willingness to go from one part of the country to another for temporary assignments. After six years, the employment manager thought that the card system had reached the point where it was yielding its maximum results. He then had information regarding mechanics residing in many localities. He had been able to organize the work of the company in such a way that many workmen were given steady employment during almost the entire year, an exceptional condition in the building trade. Men in the company's employ were paid the rates of wages that were current in the large city in which the company's home office was located. Those rates usually were higher than the rates in effect in the smaller cities and towns in which the company erected buildings.

In 1914 the company's unskilled laborers, had they worked full time during the months that the company wished to employ them, would have received \$640 each; in 1918 they would have received \$1,400 each; in 1919, \$1,510; in 1920, \$2,000. The skilled carpenters in 1914 would have received \$1,400 each; in 1915, \$1,600; in 1916 and 1917, \$1,800; in 1918, \$2,200; in 1920, \$2,600.

A majority of the unskilled workers were Italians who, as a group, were said to send approximately two-thirds of their wages to Italy; the other third of their wages, it was stated, appeared to be sufficient to provide them with lodging, board, and other essentials. The company at times erected barracks and ran commissaries for its workers when they were engaged in con-

struction in small towns. When working in large towns the men usually obtained accommodations in private homes.

During the latter part of October, 1920, the employment manager, in reviewing his list of unskilled laborers, found that many of the workers had been with the company since 1914 and had earned the maximum amounts per annum stated above.

The employment manager reviewed his list at that time because many of the Italians had stopped working, and the rate of labor turnover among them had increased markedly. Upon investigating the situation, he found that a large number of the Italians after earning \$1,500 in a year or less did not see any reason why they should continue to work. After earning that sum some of them had decided to take vacations. They did not intend to work for another company, but merely thought that they had earned enough money for a period. One Italian, when questioned, said that it was not necessary for him to work for some time. He pointed out that he had earned \$1,500 during the past year to date, which was as much as he had earned in any previous year. He was able to send \$800 to Italy, which at the ruling rates of exchange afforded his family in Italy a liberal income. The remaining \$700 more than covered his living expenses in the United States.

In order to induce the Italians to go back to work, the employment manager asked the operating executives on the various construction projects to point out to the laborers that the current high earnings were not going to continue indefinitely. The operating executives were asked to advise the workers strongly to lay up a surplus against future unemployment. The appeals were reported to have assisted greatly in meeting the indifference of the workers toward the opportunity to work and earn at the time.

COMMENTARY: In regard to recruiting labor for a company of this type, it is significant that the employment manager's index of qualified mechanics and laborers in various localities did not reach its maximum effectiveness until after the passage of six years.

The company's main problem was that of obtaining steady work from a class of employees to whom high wages were not in themselves an effective incentive. Usually, in periods of generally rising wages, expenses of living and of recreation are also rising, and at a more rapid

rate. While this condition may make for a high rate of labor turnover, the typical workman must continue at some employment in order to provide for the mounting needs of his family.

In the present case, however, the families of the Italians were in many instances in Italy, where their demands were probably not affected in any direct relation to conditions in the United States. The habits of the men were fixed; they had no desire to raise their standards of living. For them, therefore, the higher money wages were not offset by proportionately higher expenses, and actually represented larger surpluses than before. When these surpluses appeared ample, there was no further incentive to steady work.

Under these circumstances, it would have been difficult for the company to stimulate new wants among these men. Consequently, the advice to provide for future contingencies had a broader appeal to the Italians than a suggestion to add some item to their list of current expenditures would have had.

Essentially the same appeal is made by any thrift plan in which savings are put into secure investments directly or indirectly. Such a plan, to individuals with foresight, provides a motive for working and earning.

February, 1926

J. W. R.

ALDEN STEEL COMPANY¹

MANUFACTURER—STEEL

WAGES—*Wage Reduction Negotiated with Plant Assembly.* In the summer of 1921, a steel manufacturing company which had an understanding with its employees not to revise wages more than once in six months, broached to its plant assembly, comprising equal numbers of employer and employee representatives, the subject of a second wage reduction within a period of six months. In view of the existing severe depression and price reductions, the plant assembly after long discussions decided that the further wage cut was necessary if the company were to retain its competitive place in the industry.

EMPLOYEE REPRESENTATION—*Duties and Conduct of Employee Representatives.* Minutes of works assembly meetings distributed to all the company's employees acquainted employees with discussions which took place under the plan of employee representation in effect. In the course of a wage negotiation, an employee representative suggested that a referendum on the issue be held among the employees. The company's spokesman replied that under the representation plan decisions were to be made by elected representatives, who had a better opportunity of studying the complex problems arising in business operations than did the rank and file of employees. He held that employee representatives, though obligated to explain their actions to their constituents, should act in the light of the additional information possessed by them without requesting a referendum.

EMPLOYEE REPRESENTATION—*Jurisdiction of Works Committees.* An employee representatives' caucus, in offering to accept a wage reduction during a period of business depression, recommended that, if imposed, the reduction apply also to foremen and that foremen be required to take one day a week off without pay. The company officials declined to entertain that recommendation. They held that wages and working arrangements of supervisors were outside the jurisdiction of the joint conference, and were matters to be settled exclusively by the company officials.

(1921)

Early in May, 1921, when the United States Steel Corporation announced a 20% wage reduction, the Alden Steel Company made a similar reduction. In the summer of 1921, the management and employee representatives of the plant assembly of the Alden Steel Company discussed the expediency of a further reduction in wages. The company had an understanding with its

¹ Fictitious name.

employees not to adjust wages more frequently than once in six months.

Men employed by the Alden Steel Company in departments operating continuously worked in eight-hour shifts, whereas corresponding employees of the United States Steel Corporation and other large steel companies worked in twelve-hour shifts. Men working in shifts were known as "turn men."

The steel business had undergone drastic curtailment of operations since 1920. Despite price concessions, orders had been placed for only a small fraction of the industry's capacity.

Changes in prices of iron and steel during this period are given in Exhibit 1.

EXHIBIT 1

COMPOSITE PRICES OF IRON AND STEEL, JANUARY, 1920, TO AUGUST, 1921*

Month	Pig Iron (Dollars per Gross Ton)		Finished Steel (Cents per Pound)	
	1920	1921	1920	1921
January.....	39.08	31.18	3.158	3.057
February.....	42.35	28.45	3.486	2.918
March.....	42.17	25.18	3.743	2.764
April.....	42.93	23.73	3.842	2.737
May.....	43.64	22.78	3.804	2.764
June.....	44.09	21.73	3.756	2.643
July.....	45.44	20.22	3.885	2.455
August.....	47.38	....	3.967	....
September.....	47.83	....	3.956	....
October.....	45.05	....	3.81	....
November.....	38.65	....	3.566	....
December.....	34.51	....	3.114	....

* Published subsequently in the *Iron Age*, January 5, 1922, p. 60.

The wage reductions of the United States Steel Corporation and the Alden Steel Company followed reductions by many other steel companies. On January 16, 1921, one large independent company had cut wages in the several grades of labor by from 10% to 20%. A little later the rate for common labor in several mid-western plants had been reduced from 46 cents to 38 cents an hour. Some eastern companies were paying this grade of labor 30 cents and 33 cents an hour with no increase in the rate for overtime work. On February 15, 1921, a number of companies had reduced wages for common labor from 46 cents to 37 cents an hour but had retained the eight-hour basic day with time and

one-half rates for overtime work. In a majority of cases provisions for overtime rates possessed slight significance, since eight-hour rather than twelve-hour shifts were used in order to afford employment to more men. On March 8, 1921, the Rainey Company, a subsidiary of the United States Steel Corporation and a large coke and coal producer, had cut wages 15%, and about a month later a number of independent coke producers had cut wages in the various grades of labor by from 22% to 33%. The executives of the iron and steel industries knew of these adjustments, since the latter were large consumers of coke and in some instances owners of coal and coke companies.

The Alden Steel Company in May had asked its employees to accept the 20% cut through the plant assembly, which had been established some months before. The plant assembly consisted of 13 representatives of the employees and an equal number of management representatives. The chairman, who was the company's advisor on industrial relations problems, did not have a vote. Each employee representative had approximately 100 constituents. At its meetings the assembly had discussed the trends of business, wages, the cost of living, and production schedules. It also had dealt with working conditions and personal grievances, and had taken over the administration of certain employee benefit activities.

At a meeting of the plant assembly in June, 1921, one management member discussed at some length current wage levels, orders for new business, prices, and tonnage output in various steel companies. He also referred to the level of freight rates and to the cost of living. In concluding his remarks he said:

I would like to hear an expression from the employees here. Can you suggest anything to do under the circumstances? We have been making stock here that is unsold and is now on our hands at a value of several hundred thousand dollars. Some of the steel now being marketed is sold at less than our cost of production. We have kept on producing, hoping that demand would pick up and hoping to maintain our organization, and it looks rather doubtful if we can keep the thing up.

A neighbor of ours is selling more of its capacity than we are because of lower prices, and this is true because it pays lower wages.

For this reason I think we should all do some sound thinking as to whether it wouldn't be a better thing for the employees and for the company to consider a further wage readjustment at an early date. Although it has been a regular policy of the company not to adjust

wages more frequently than once in six months, these are exceptional times. We are looking forward to the keenest competition, which will make every company fight to retain—not increase but just retain—the *share* of business that it has been receiving in the past.

CHAIRMAN: Are there any comments?

MATTISON (E)²: As I see it there is little discussion that the employee representatives have to contribute. We have got to accept the inevitable. We will make any sacrifice if it stimulates business and gets our fellows back to work. I know several of them who have sold their automobiles. They cannot even buy gas to run them.

KINGSBURY (M): Some of our neighboring steel plants have made two cuts in wages and have a labor cost 20% to 25% less than ours.

MATTISON (E): I know myself that they made two cuts.

KINGSBURY (M): On account of the long-standing policy of the company I believe the officials would hesitate to suggest another wage cut within six months of the last one, but if the employee representatives would come forward with a proposition and it could be put into effect, the amount of operation here could be maintained, and I am willing to stake my guess that it could be increased before the end of six months, so that the men would not lose any through the adjustment. Here in the manufacturing end we have got to get out our product at a cost that will enable our sales department to obtain orders.

MATTISON (E): The employee representatives ought not take it upon themselves here to make any suggestion of that character. We must discuss the subject with the men in the plant. It's a pretty tough proposition for a man to come out and say he will accept a 10% or a 15% cut even if he is working full time. A lot of our fellows are getting less than \$150 a month now, and they are paying \$65 for rent alone, leaving them about the same amount of money or a bit more to buy food, clothes, and a little pleasure. If you ask them, "Will you accept a 10% cut in order to get the rest of the boys back to work?" they will say, "We cannot do it, we cannot meet expenses as it is."

KINGSBURY (M): Suppose that we laid off entirely?

MATTISON (E): They do not figure that way.

KINGSBURY (M): There are a lot of similar men that have been laid off. What about the men who are working only two days a week?

MATTISON (E): We have a lot of sympathy for them.

KINGSBURY (M): There are a lot of fellows who will work on jobs that they are not accustomed to for one-half of what they get on their regular jobs, but who will not take a reduction in wages on their jobs. The thing will go along until their temporary jobs

² (E) signifies employee representative; (M) signifies management representative.

become their regular jobs, and they will then be glad to go back to their former employment with a proper reduction. When that time arrives, the product that they were accustomed to produce can be turned out at a cost that will permit it to be sold.

MATTISON (E): But if we would get together and talk about accepting a cut, the men would say, "When we got the last cut of 20% we thought that would stimulate business, but it has not done any good; now will this 10% cut do any good?"

KINGSBURY (M): What do you think about it?

MATTISON (E): If we have to make a sacrifice, let's do it, provided it stimulates business and gets our fellows back to work again.

KINGSBURY (M): What is your own thought about the time when they will get back to work?

MATTISON (E): I have been thinking about that for six months. The price of steel has got to come down as well as wages.

KINGSBURY (M): Do you really think so?

MATTISON (E): The big jobbers are not going to buy steel at present prices and in a short time have the price of steel drop \$5 or \$6 and leave them with a large stock of high-priced steel on their hands. If other concerns are making steel cheaper than we can make it, then in order to get business we must make steel as cheaply as they do. If the difference in the price of labor is the cause, then I see no other way than to reduce wages. We certainly cannot get business unless we can quote our product as cheaply as the other fellow.

KINGSBURY (M): Do you really believe that?

MATTISON (E): I certainly do.

KINGSBURY (M): If that is so, then the longer we stay up in cost and price the longer it is going to take to get back into good business, according to your own analysis.

MATTISON (E): Ware Bay Steel is down below us in their labor rates and yet they are not getting much business.

KINGSBURY (M): They are perhaps getting some more business. It will take some little time because buyers are not going to buy strongly until they think things are down to rock-bottom. But the longer you take to cut down the cost the longer it is going to take to convince the buyer that it is down.

MATTISON (E): Most of the workmen think that the big companies are trying to grind them down as far as possible, thereby making the men glad to get back to work at any price.

CHAIRMAN: The fact that this company has gone ahead and stocked pig iron and billets up to almost \$1,000,000 in value is pretty conclusive that this company at least is not grinding the workmen down to the last cent.

LAMSON (M): I think the workmen do not understand the situation, and have hit upon this idea as an explanation.

KINGSBURY (M): I do not see that you as council members can do more good for your constituents than to explain this situation in its true light.

There was no further discussion of wages at that meeting.

About a month later the plant assembly met again. Since the last meeting a number of wage adjustments had been made in the iron and steel and related industries. On July 2, the Rainey Company and the Washington Coal and Coke Company had reduced wages 10%. That was their second reduction. On July 6, the United States Steel Corporation had abolished the one and one-half time payment for overtime work, the adjustment to become effective July 16. Since the corporation was endeavoring to afford employment to as many men as possible by operating eight-hour shifts, the adjustment meant less in the way of actual money loss to the employees than seemed to be the case on the surface. On July 12, some steel companies had reduced wages of common labor from 37 cents to 30 cents an hour, and on July 16, several independents had reduced wages to 30 cents an hour and had canceled the one and one-half time payment for overtime work.

After unfinished business had been discussed at the July meeting of the plant assembly, a member of the management group spoke of the business situation:

One of our salesmen called on a company before it placed its order. The company did not place its order until we had a chance to bid on it. Another steel company underquoted our price, and we could not get the order. There is some business. Business is commencing to revive slowly, and there will be lots of it at pretty low prices and more of it at still lower prices.

KINGSBURY (M): Does any one have any suggestions as to how we can sell some steel?

DONOVAN (E): What do you suggest: that the workmen accept a reduction in wages that will bring our costs down to a point that will put our sales department in a more favorable position?

MORRIS (E): Would a reduction in prices stimulate business?

BLAKE (Manager of Works): Eventually, yes.

KINGSBURY (M): The reduction in prices last month has stimulated business considerably. Some people have landed some pretty big orders.

BLAKE (M): Everything has got to come down, and the longer we put it off, the longer it is going to take to get back to better operations here. Last month our costs were higher than the prices we re-

ceived for our product. The price of steel has come down since then. We must reduce our prices or lose our old customers and the trade built up over a period of years.

DONOVAN (E): I asked the question because men ask the representatives continually about the same thing. When we got the 20% cut, the men said, "Are we going to do more work? If we can get more work, we will be able to get along," and they are asking now, "If we accept another cut, are we going to do more business?"

BLAKE (M): We sell to people that are producers. That is why we are hit so hard.

MORTON (E): What do you think would be a fair reduction in wages to meet the situation?

KINGSBURY (M): That is pretty hard to say. A lot depends upon the efficiency of the men, but it looks to me as though we can't continue at our present scale in view of the prices ruling in the market. I don't see where we are going to get off under the present depressed situation. We may have to shut down and get out of business entirely.

BLAKE (M): These are trying times for every one, and our customers can't understand why we can't meet other prices. I feel very much as though it would be a great mistake to make definite promises. The question you ask as to whether we could build up business if our costs were sufficiently lower, I will answer this way: We can't build up business right away, but I believe a reduction will keep us from slowing down. Business is going to come back slowly. If we do not keep the customers on our books, we won't be able to run and, therefore, to give our men employment. It would be cheaper for us to buy steel from some other company where costs have been brought down and wages adjusted and then resell to our customers.

MATTISON (E): Can't the management figure out what would be a fair reduction in wages?

BLAKE (M): We are not going to ask men down here to do any more for us than men in our competitors' plants are doing for their managements, but there are two things in our situation that are a little exceptional. The first thing is the company policy about adjustment of wages; the directors would hesitate to ride roughshod over this understanding. If it was recognized that it would be to our mutual benefit to set that policy aside temporarily, it could be done by mutual consent. Some of the men regard this policy as a definite promise, and the company would not want to give them the impression that it violates its promises. On the other hand, we have always endeavored to pay the market rate of wages or slightly better, and this is just as much of an understanding with the men. We are now paying considerably above the market.

KINGSBURY (M): I do not believe any member of the management

group wishes the employee representatives to make a statement right now with regard to accepting a reduction in wages. We are just giving you our position on the matter.

BLAKE (M): We have come to this table to deal with facts, and it is a question now whether we are going to have employment in this company or not. We want to come to the council table to talk with the representatives of our men instead of issuing orders. We want to discuss matters with you and have you understand our policies instead of saying that our wages will be so and so. We believe that if we get together and talk about our problems you will go back to work understanding our position and we understanding yours and that both sides will be in a better frame of mind and will be able to do better work.

A discussion ensued of matters related to the wage situation. Rents, the possibility of reducing living costs through cooperative buying, and prices at public markets were among the subjects mentioned. Then the management members retired to permit the employee members of the committee to discuss the subject among themselves. When the meeting reconvened, the spokesman of the employee group said:

MORTON (E): We would like to get the minutes of this meeting into the hands of the employees before we take any further action. I move that the minutes of this meeting be distributed to those working as soon as possible, and that copies be mailed to employees who are not working.

This motion was carried unanimously, and the meeting adjourned.

A fortnight after the July meeting, the employee representatives at their caucus passed the following resolution and submitted it to the management.

In view of the business situation and wage cuts elsewhere, the employee representatives propose waiving the understanding regarding wage adjustments being made not more frequently than semiannually, and agree to accept a 10% cut in wages, with the proviso that no further reduction be made within six months.

To curtail overhead expenses, we recommend that this cut apply also to foremen and their assistants, and we recommend that each foreman and his assistant, as near as possible, take one day a week off without pay.

Just prior to this action, the common-labor rate was reduced in certain independent plants in the Middle West. The production figures issued by a leading trade journal showed that the

July, 1921, pig-iron production was the lowest on record in 17½ years; in December, 1903, production had been somewhat lower than in July, 1921. On July 30, 1921, the Frick Coke Company, a subsidiary of the United States Steel Corporation, announced a second wage cut, this time of about 10%. This cut carried wages for certain operations back to the scale of November 10, 1917. The labor rates of many of the Frick Coke Company's competitors were lower than the adjusted rates of that company.

About a week after the management of the Alden Steel Company received the resolution of the employee representatives proposing a 10% cut in wages, a special meeting of the plant assembly was held in order to consider the wage situation. It had just come to the attention of the management that the United States Steel Corporation was going to reduce wages for common labor from 37 cents to 30 cents an hour, effective August 29, 1921.³ At this meeting Mr. Kingsbury spoke as follows:

KINGSBURY (M): We have received the resolution of the employee representatives and have thought it over carefully. The management feels that you fellows have made an earnest effort to put us in a better competitive position. Perhaps all of you feel that you have taken a very strong stand in passing this resolution. I dare say that a number of your constituents exerted pressure against a resolution of this kind. Even though you accepted considerable censure from your constituents, you felt that you were doing the right thing and had the backbone to go through with it.

The situation since your meeting has changed very materially. The United States Steel Corporation is about to put into effect, as of August 29, a cut in common-labor rates from 37 cents to 30 cents an hour, and this makes our position very difficult.

In regard to the latter part of your resolution, referring to the wages of foremen and suggesting that they take a day off each week, we feel that this is a natural question to arise in your minds. We believe, however, that this matter is entirely outside of the jurisdiction of the assembly. I would like to suggest that your resolution be modified in the light of more recent happenings.

The *Iron Age* published a table⁴ showing wages paid common labor by the United States Steel Corporation from 1915 to and including August 29, 1921. This information is given in Exhibit 2.

After some discussion, one of the employee representatives moved that the assembly refer back to the employee representa-

³ Announced by Judge Gary, August 19, 1921.

⁴ *Iron Age*, August 25, 1921, p. 501.

EXHIBIT 2

WAGES OF COMMON LABOR PAID BY UNITED STATES STEEL CORPORATION

Date	Wages (10 hours)	Date	Wages (10 hours)
1915	\$2.00	Aug. 1, 1918	\$4.20
Feb. 1, 1926	2.20	Oct. 1, 1918*	4.62
May 1, 1916	2.50	Feb. 1, 1920	5.08
Dec. 15, 1916	2.75	May 16, 1921	4.05‡
May 1, 1917	3.00	July 16, 1921†	3.70‡
Oct. 1, 1917	3.30	Aug. 29, 1921	3.00
Apr. 16, 1918	3.80		

Eight-hour basic day established. Time and one-half paid for overtime.

† Time and one-half for time over eight hours abolished.

‡ Approximately.

tives their resolution proposing a 10% wage cut. This motion was seconded and was carried unanimously. Mr. Kingsbury then proposed a wage cut averaging approximately 30%. He spoke in support of his motion as follows:

KINGSBURY (M): There are plenty of men out of work under the present slackened condition in the business, and some of our competitors are having men work 3 days a week on 12-hour turns, with the result that they get a rate of speed out of the men that we cannot get working our men 8 hours a day throughout the week. I realize that my proposal is going to make earnings here very slim considering the cost of living, but it is better to have small earnings than to have no earnings at all. The situation in the business has become steadily worse, and we look for still lower prices. I cannot see what the results will be if we do not adopt something along the line of the cut proposed, and put ourselves on a competitive basis. I believe, and it is only my personal opinion, that we shall have to shut down unless we take action in this matter.

LAMSON (M): Probably we had better illustrate the proposed adjustment on the blackboard. On July 16, the United States Steel Corporation abolished the basic 8-hour day, which was a 14.3% reduction for men working 12-hour turns. Taking for example a man making \$1 a day, he would be cut to 85.7 cents. Then this present cut from 37 cents to 30 cents an hour is in effect an 18.9% reduction, and applying this rate to 85.7 cents we have 16.2 cents reduction in addition.

85.7 cents—16.2 cents=69.5 cents.

\$1.00—69.5 cents=30.5 cents.

We propose, therefore, a reduction of 30.5% for our turn men.

For men working 10 hours the elimination of the 8-hour basic day means a cut of approximately 9%. This brings their \$1 to 91 cents, and 91 cents times the 18.9% cut to be imposed presently, yields 17.2 cents. 91 cents—17.2 cents=73.8 cents.

Therefore, we propose a 26.2% reduction for the 10-hour men. Even applying these reductions we would still be somewhat more liberal than our competitors. As I figure it, we would be some 10% to 15% higher than they, even granting these reductions. We do not propose to abolish the 8-hour basic day in this adjustment.

BLACK (E): I suggest that the employee representatives have a chance to talk this over among themselves.

After the meeting reconvened, the chairman said:

CHAIRMAN: We still have under consideration the motion that men working 10 hours be reduced 26.2%, and that turn employees be reduced 30.5%. Is there any further discussion?

There was no discussion.

CHAIRMAN: It is then in order to have a ballot.

The vote stood: 13 management representatives in favor of the wage cut, none opposed; 3 employee representatives in favor, 10 opposed.

CHAIRMAN: Since this motion has not been carried by a three-fourths majority, it is in order to reopen the discussion or to propose a compromise.

KINGSBURY (M): I would like to hear from some of the employees who voted against this motion so that we can understand their viewpoint and the reason for their vote.

CRAIG (E): The men are willing to take a cut, but this cut is a little too heavy, 30% is a little too heavy. I bought coal this morning at \$16.25 a ton.

KINGSBURY (M): Can you tell me how the company can stay in business in view of the competition we are up against?

CRAIG (E): The men come to me and say, "Better starve without working than to starve and work, too."

KINGSBURY (M): You will have to do what you think is right for your constituents.

CHAIRMAN: I think there is one point which has not been overemphasized, and that is, that even with the adjustment proposed by Mr. Kingsbury, we will be paying above the market, probably 10% or 15%. It is certainly much harder to accept a cut than an increase, but the company, it seems to me, is shouldering its share of this burden. We expect to be able to pay more than our competitors because of the extra efficiency that we have been receiving.

LAMSON (M): I am wondering if the employee representatives really are reflecting the wishes of the employees. A fellow came up to me the other day—I did not know him, but he knew me—and he asked me about work this week—how many days we were going to run. He said, "What do you think about the Steel Corporation wage cut?" I said, "What do you think about it?" He said, "I think it is about time we got busy, cut wages down so that we can get back to work."

MORTON (E): Well, I have worked half-time for the last six months, and I know what it is. I have gone as far as anybody in this matter. I would like to put in my resignation right now and see if it would make any difference. That is the way I feel about it. I do not think anybody has any right to cast any reflection.

O'REILLY (E): Mr. Kingsbury, how would it be to take a referendum vote? Give every man a chance to vote on this thing.

KINGSBURY (M): My own thought about that, Mr. O'Reilly, is this. We have here a representative plan. We do not have a referendum arrangement in this plant. A referendum and a representative plan are two different things. You know the situation of the business, but perhaps the men outside in the mill do not. It might be their vote on a referendum to turn this proposition down, not knowing the facts about the steel business that you have been given an opportunity to learn. If these workmen find out later, to their sorrow, after voting against this proposition, that the company could not stay in business on the basis the employees forced them to, they will repent.

O'REILLY (E): Go to the men and ask them what they want. They will not give you a fair-and-square answer. It is very hard to get their opinion as a group.

KINGSBURY (M): The idea of representative government is this. You men are representing the men in your division. You hear the whole story. You are supposed to be men that have the sand to do what you think is best for the men you represent when you have heard the story on both sides.

O'REILLY (E): What if the majority of the men are against the proposition?

KINGSBURY (M): When we elect a man to Congress we expect him to do the wisest thing, even if it is against popular sentiment at the time. The best representative is the man who thinks things through clearly, who thinks for the best good of his constituents, and who can think better than the average man. He ought not always to do simply as the majority of the men in his division would tell him to do. He has had a far better chance to study the problems than his constituents, and if he feels their advice is unwise, he should vote according to his best judgment.

If there is nothing more we might as well adjourn. I will report

our deadlock to my superiors, and I cannot tell you definitely what action will be taken with respect to operations here. I have told you my own thoughts on the matter. If the plant is shut down, you can feel pretty sure that it was your action that caused it. I would not guarantee that even if the proposed adjustment was passed we could stay in the game. If it is passed, we will do our damndest to stay in the game. If there is any one who thinks that this meeting might be recessed for a week, that could be done. We will give you a chance to think this thing over and talk with your constituents. If there is any closing down, it will not be done in a vindictive way; it will be done only when the company is forced to close down.

CRAIG (E): I cannot understand how we can work under this proposal and pay the price we have to pay for shoes.

LAMSON (M): Suppose you do not work at all; then what would you do? When things were going up, every time you got a 10% raise, you told us that the retailer soaked you 20% more. Now when things are going down, retailers are going to drop their prices, too.

CRAIG (E): I have worked in the steel industry 20 years. When I started working, wages were not very high, but we could live because everything was cheap.

KINGSBURY (M): Were you given the consideration then that you are given now?

CRAIG (E): No, the company just said there would be a cut, and that was all there was to it.

KINGSBURY (M): Yes, they just announced a cut—put up a notice—saying the cut would be so much.

LAMSON (M): We know that some of the independents have been paying 30 cents an hour since the first of the month, and now the Steel Corporation is going on to that basis. Even with this proposed cut, we will still be paying better than that. It seems to me that the company is standing its share of the bad weather.

KINGSBURY (M): They have been paying 30 cents an hour in the Pittsburgh district, and some of the eastern companies have gone to 25 cents an hour.

CHAIRMAN: Do you want to take another ballot?

MATTISON (E): I make a motion that we take another ballot.

The motion was seconded and carried.

The second ballot stood: 13 management representatives in favor, none opposed; 9 employee representatives in favor, 4 opposed.

CHAIRMAN: The chair will declare a motion carried to the effect that a wage adjustment will be imposed carrying a reduction, effective Monday of next week, of 30.5% for turn men, and 26.2% for 10-hour men.

KINGSBURY (M): I think this action puts it up to us of the management to do our damndest to keep in the game. We have got to do a lot of things beside talk about wage reduction. We are trying to effect economies all along the line, and we will welcome any suggestions from you fellows as to how to get costs down. We want to put our sales department in just as advantageous a position as possible. It takes a mighty stiff backbone for you men to do this, but I believe that you have done the best thing for your constituents.

MORTON (E): There will be a lot of things said about us that would not look good in print.

KINGSBURY (M): That may be true enough, but that is when a man is put to the test, and he should have the stamina to stand it. If he simply follows popular sentiment, very often he will not be doing the best thing for those he represents. I believe that most of the men will realize that you have done the best thing for them. Of course, it is pretty hard to make an absolute demonstration of that. I suppose that they would realize it quicker if they were out of a job for several months. Then they would be giving you just as much hell for taking action that would turn this proposition down. The man who represents people is more or less between the devil and the deep sea; he has got to be a man of backbone, considering all sides, but sticking to the road he believes to be right. We certainly appreciate your cooperation, and hope that you will do your best to get your constituents to see things as you see them, so that they may go at their work with enthusiasm and efficiency, for it is going to take that to put us in a proper competitive position and keep the wheels turning.

A motion to adjourn the meeting then was carried.

COMMENTARY: This company found itself in a dilemma because two established customs came into conflict under exceptional circumstances. The company's custom of changing wages in accordance with revisions elsewhere was interfered with because of its custom of not modifying wages more frequently than semiannually.

Consistently with its program of employee representation, the company did not impose a wage change in the interest of economy and an improved competitive position, but laid the situation before the employee representatives and suggested that a proposal was in order to modify the six months' rule concerning wage adjustments. The company found the employee representatives willing to discuss the need for, and the probable amount of, a wage adjustment in August, despite the fact that a wage adjustment had been made in May.

In presenting its case, the company stressed the condition of the iron and steel market, and the wage reductions being imposed elsewhere.

The officials urged employee representatives to accede to a second reduction in order to afford their constituents employment, rather than to insist upon the six months' rule concerning wage adjustments, an action that might compel the company to shut down the plant. Independent producers of iron and steel already had ordered reductions of greater proportion than the 20% cut the company had imposed in May. Notwithstanding that fact, the prevailing spirit of the negotiations was to arrive at an agreement by reference to conditions elsewhere in the labor market and in the iron and steel trade.

The negotiations were concerned with percentage decreases rather than with the absolute figures paid per hour. That was necessary because this company was operating on an 8-hour basis, while the prevailing workday for "turn" men was 12 hours in length. The case does not state the wages per hour paid by the Alden Steel Company. Two other firms which were operating on the 8-hour basis at that time had in effect rates which divided with the men the wage loss resulting from the reduced hours per shift. In other words, turn employees in those companies received for 8 hours' work 10 hours' pay at prevailing rates. If the same adjustment had been made by the Alden Steel Company, its turn employees would have been receiving 25% per hour more than the wages paid by competitors in the same district.

An individual company having employee representation obligates itself to pay at least going rates. Both parties waive the right to force adjustments by direct mass pressure. Any advantages possible by such action are given up in the interest of industrial peace. Companies that negotiate wages in shop councils usually do not test wage rates aggressively, but base their rates upon those established by other employers who do test labor prices actively. This does not mean that rates no higher than market levels are paid by companies having in effect plans of employee representation. A number of those companies are known to pay rates somewhat higher than market levels in recognition of the superior labor efficiency that they receive as a result of satisfactory industrial relations.

The Alden Steel Company did not refer specifically to the effect of the proposed wage revision upon its costs. The officials did not go into cost figures, and their silence was justified because of the publicity given happenings in the works council. One official mentioned that the company was obtaining exceptional efficiency from its employees, so that the higher wages which it paid per hour as compared with wages paid by its competitors did not increase its labor costs in proportion.

Management representatives, in the conduct of negotiations with employee representatives, should furnish information in support of their contentions; they should permit employee representatives an

adequate time to discuss the questions with constituents. Arbitrariness and exertion of pressure are out of order under that form of industrial relationship. The Alden Steel Company demonstrated remarkable foresight in bringing up the question of a second wage cut before its imposition was necessary.

The company's case turned upon the reductions of wage rates elsewhere, known to its employees. Usually a more systematic survey of wage conditions is desirable as a foundation for a suggested wage revision; the circumstances of controlling importance in this case, however, seemed to be the action of a few large competitors.

One official stated that the company was suffering because its products were sold to producers. He might have gone further and explained the significance of that fact. The reference to a probable reduction in living costs was not well supported. The management could have presented summary figures as well as one or two illustrations to explain the burdens which the sales department was carrying at the time. Had the company placed more evidence before the employee representatives, their ability to talk over the question of a wage reduction with constituents would have been improved.

Although the case of the employees was poorly presented, the questioning of several men among their number displayed marked ability. The employees asked a critical question when they inquired concerning the probable effect of an additional wage reduction upon the company's sales. That questioning caused the management to shift its ground from the probable effect of the proposed wage reduction upon sales to the wage reductions imposed elsewhere.

Several statements in the course of discussion upon this proposed wage adjustment bore directly upon the duties and conduct of employee representatives. The official here named Kingsbury stated that the employee representatives should explain the need for a proposed downward wage adjustment to their constituents before voting upon that proposal. He also said that a revision of that kind should not be imposed in haste. Elsewhere, he stressed the responsibility that representatives must assume in view of the fact that they possess greater knowledge of operating problems than do their fellow workers.

It is the commentator's belief that employee representatives should not be expected to act independently of the sentiment that they believe prevails among the employees upon a pending issue. The duty of a representative is to lead his constituents, but he cannot lead them if he openly supports settlements that are not approved by a majority in his district. To obtain that approval, the representative may have to spend some time in discussing the issue with his constituents. By insisting upon an early, drastic adjustment, officials may prejudice

employees against the representative system. The company cannot expect active aid from employee representatives to convince employees of the necessity of a wage cut; that action would attract suspicion. The company can expect employee representatives to reflect the prevailing sentiment of their sections and to express their own opinions regarding the reasonableness of a downward wage adjustment.

The employee representatives' views of their duties in negotiating wage adjustments indicated no desire to act independently of the prevailing sentiment among the employees. The case reveals the difficulty that representatives have in obtaining opinions from many constituents. That difficulty probably is due to lack of knowledge and to unwillingness to express views that might be quoted among one's fellow workers and subject the speaker to criticism or abuse. It is evident from this case that the position of employee representative has unattractive features at times.

The final point of the case that has general significance is the issue presented by the employees' petition asking that foremen's wages and working hours be reduced. The management, had it granted that request, would have established a precedent wherein employees, through their representatives, had made recommendations regarding the wages and working conditions of supervisors. These matters, in all plans of employee representation known to the writer, are reserved as the exclusive prerogatives of the management. The theory of employee representation is that employees have a recognized right to voice opinions concerning regulations directly affecting them, but that they do not possess executive authority jointly with the company's officials.

October, 1925

J. W. R.

HUDSON TELEPHONE COMPANY¹

ACCIDENT PREVENTION—*Insignia Awarded for Avoidance of Accidents.* A telephone company awarded insignia to be attached to those of its automobiles and trucks which were not involved in accidents during a calendar year. After two years' experience with the plan, chauffeurs had become clearly interested in the scheme and offered suggestions for its improvement. The company had to decide upon the acceptance of the suggestions.

In August, 1921, a plan was suggested for adoption by the Hudson Telephone Company by which the company would award insignia to be attached to company-owned automobiles which were not involved in any accidents during a calendar year.

The insigne suggested was a metal disk bearing the name of the company, the words "Stop accidents," and the statement "This car had none." Year plates were to be added below the insigne, one for each year which passed without an operating accident to the particular car. The insigne and year plates were to be attached in a prominent place on the body of the automobile. A statement of the plan for the award of the insigne and for its withdrawal, as proposed to the employees, follows:

Conditions under which insignia and year plates are awarded

After one full calendar year's driving without an operating accident of any kind, two insignia, with the small year plates directly below, are attached to the car, one set on each side. If, after the award of one set of insignia and year plates, the same car is, in the ensuing year, again driven without an accident, a second set of plates is added.

The insignia and year plates are awarded to the car rather than to the driver so that a change of drivers does not affect the award.

What constitutes an accident in determining award

In general, any operating automobile accident in which the car is involved and for which a report is required in accordance with the routines of the company makes the car ineligible for award for that particular year. If the car already carried insignia and year plates for the previous year or years, any such accident is cause for immediate removal.

It is the thought to eliminate as far as reasonably possible any attempt to decide responsibilities in connection with these awards, but rather simply to base the awards on the complete avoidance of all accidents. This principle is recommended because, in the majority of auto-

¹ Fictitious name.

mobile accidents, it is impossible to fix the entire responsibility on one person without an exhaustive study of the case. Certain infrequent exceptions to this general principle may be found advisable from time to time. The following examples are given as indicative of the types of accidents which it may be advisable to omit from consideration in deciding upon an award:

a) Minor personal injury received by an employee while repairing the car.

b) Damage or personal injury caused by a second car running into the company car being considered for award while the company car was properly parked. In this case, the evidence at hand should support the claim beyond reasonable doubt that the car was properly parked.

c) Accidents caused by auxiliary machinery, such as winches or derricks, on the vehicle.

Awards on a calendar-year basis

The awards are made on a calendar-year basis, that is, the car must be driven throughout the entire calendar year without an accident to be eligible for the award.

Continuity of "no accident" record

If a car has a perfect "no accident" record for 1922, is involved in an accident in 1923, and had a clear record again in 1924, the insignia and but one set of year plates, those for 1924, would be awarded in January, 1925. The "no accident" record must be continuous in order to retain previous year plates.

Car replacements

When a car carrying the insignia and year plates is replaced by a new car, to be used on similar work and possibly driven by the same men or group of men, the insignia and year plates are transferred to the new car.

With the cooperation of the employees, the plan as proposed was put into effect on January 1, 1923, but records were available so that awards of year plates could be made for 1922. The awarding of the insignia to the cars rather than to the drivers had the effect of stimulating teamwork among the group of drivers of a car, in that all were striving to obtain and retain an award for that car.

The results obtained from the plan showed the interest that was taken in it by the employees. For the year 1922, 69.3% of the Hudson Telephone Company's cars were awarded insignia; this percentage rose, despite a 13% increase in the total number of cars driven, to 69.5 for the year 1923. The cars carrying year

plates for both years constituted 54.1% of the total number.

Suggestions as to modifications in the details of the plan were developed on the basis of the company's experience with the plan.

It was suggested that no accident which a car had while being operated by a substitute driver should disqualify the car for the award. The employees cooperating in the plan in 88% of the company's divisions proposed that this change in the original plan should be effected by having the award made to the driver rather than to the car, or to the car with a supplementary award to the driver.

It also was suggested that the plan be modified to permit drivers of machines having awards to transfer those awards to cars without insignia when the drivers were transferred to such cars. With the exception of car replacements, such transfers were not permitted under the original plan.

Some drivers suggested that the award should be made on the basis of 12 consecutive months, rather than on the basis of a calendar year, especially since the insignia were removed at the time of accident rather than at the end of the calendar year in which the accident occurred.

It was suggested frequently that the definition of what constituted an accident sufficient to disqualify an automobile for the award should be modified. It was proposed that the accidents summarized in the following groups, in addition to those listed in the original plan, should not constitute cause for removal of the insignia.

1. Accidents in which the other party admitted liability and paid the cost of repairing damage to the telephone company's car;
2. Accidents in which the other party made no claim for damages sustained and where the telephone company had sustained no damage for which to demand compensation;
3. Accidents in which an individual not in the company's employ sustained personal injury but for which that individual was solely liable, this liability being determined by the fact that the telephone company made no payment in consequence of the injuries sustained.

Executives of the Hudson Telephone Company were of the opinion that the slightly increased percentage of cars awarded

insignia in 1923 as compared with 1922, in the face of increasingly adverse traffic conditions, demonstrated the benefit of the plan, and that the plan had assisted the management and employees in their efforts to prevent accidents. The executives also believed that the plan had improved the company's public relations. Highway commissioners had recommended that the plan of the Hudson Telephone Company be adopted by other companies operating large fleets of automobiles. The Hudson Telephone Company and its employees both showed continued interest in improving the plan.

COMMENTARY: The fact that the employees to whom this plan applied made suggestions for its improvement indicated the employees' interest in the plan and evidenced its effectiveness.

The plan deserves commendation because of its favorable effect on the general movement to minimize motor-vehicle accidents. It tended to improve the morale of the employees of the Hudson Telephone Company because it enabled them to show to others the quality and responsibility of their service. Through the plan the Hudson Telephone Company received favorable public notice.

The principal suggestion made by the employees regarding the plan—namely, that the award be made to the driver rather than to the car—seems to have been well founded. A plan on the basis suggested could have been worked out readily.

There also appears to have been merit in the suggestion made by the employees that the plan be modified in respect of the provision whereby the employee's "no accident" record for past years was to be lost when an operating accident occurred. When an employee who had had an operating accident was again eligible to display insignia, the insignia or year plates displayed could show all the calendar years in which the employee had had a "no accident" record.

The suggestion affecting the calendar year basis of award had some apparent disadvantages. The general public naturally would assume that the year plates referred to calendar years and therefore any other basis would be misleading. The administration of the plan would have been considerably complicated if the calendar-year basis of award had been changed. Under the plan as drawn, drivers endeavored to win insignia during the same periods of time. Employees in each geographic division, therefore, operated under approximately the same weather conditions. These, of course, had an important effect on driving conditions.

WALWORTH RAILROAD¹

RAILROAD OPERATION—*Freight-Train Efficiency Improved.* In an effort to increase its operating efficiency and to justify certain capital expenditures for additional facilities, the management of the Walworth Railroad decided to concentrate its attention upon "gross ton miles per freight-train hour." A campaign of education of minor officials and employees had the effect of increasing that unit from about 9,000 to about 13,000 and thereby of decreasing unit costs as well as increasing traffic carrying capacity. A part of the improvement was attributable to better facilities and new locomotives, but at least one-half of the gain was believed to be the result of successfully enlisting the interest of the men in the statistics of train operation.

(1923-1925)

The Walworth Railroad, an eastern carrier approximately 500 miles in length, served a somewhat sparsely settled agricultural community, and its freight traffic consisted principally of commodities which moved from mid-western points to the Atlantic seaboard. Its passenger service was relatively unimportant. The greater part of the freight traffic was overhead, for which the Walworth Railroad acted as a bridge carrier.

For a long series of years the Walworth Railroad had financial difficulties. Several years previous to 1924 it had passed through a receivership and reorganization. The reorganization was not entirely successful from the viewpoint of adjusting securities to correspond with net earning power, and the company since then had failed to earn dividends.

Prior to 1922 the greater part of the capital stock and a substantial part of the bonds had been held by the Granada Railroad. Although operated independently, the Walworth Railroad was generally regarded as an affiliated part of the Granada Railroad system. The Granada Railroad, through overexpansion, had injured its credit, and it had so much difficulty in maintaining its own solvency that it gave little attention to the needs of the Walworth Railroad. As a consequence, the Walworth Railroad was unable to finance needed improvements. Its trackage in terminals and sidings, its engine-house facilities, and its rolling stock were inadequate both quantitatively and qualitatively.

¹ Fictitious names throughout case.

The Granada Railroad's financial troubles came to a head about 1922 and the control of the company passed to the Caledonia Railroad system, a company with larger financial resources. Following the change the policy of the consolidated company toward the Walworth Railroad was one of helpfulness. The officials of the Caledonia Railroad recognized certain possibilities in the development and greater use of the Walworth Railroad and, after a careful investigation had been made, offered to advance the necessary funds for deferred improvements. A five-year program, in which approximately \$12,000,000 would be expended for additional sidings, additional tracks in yards and interchange points, strengthening of bridges, enlargement and rebuilding of engine houses, new and more powerful locomotives, and new cars, was undertaken, and the necessary funds were made available to the Walworth Railroad.

The first part of the appropriation was spent in 1923, and a few of the urgently needed items in the program of betterments were completed. The five-year program was supported by a study and forecast in which a definite promise of substantial operating economies was given by the Walworth Railroad management. These economies could not be realized in their entirety until the full program of improvements had been completed, but the management of the Walworth Railroad was anxious to show favorable results from the initial expenditure of 1923. Since these expenditures had been mainly for additional sidings, rearrangement of yard tracks, new locomotives, and engine-house improvements, an effort was made to bring about substantial economies in train service costs.

The management took pains to acquaint the employees as a whole, and particularly those in train, yard, station, and engine-house services, with the object of the program, and set out to enlist their interest and cooperation. In order to focus attention upon one specific item, the management decided to stress the statistical unit "gross ton miles per train hour," to educate the employees to its significance, and, by increasing that unit, reduce operating costs, increase traffic carrying capacity, and give better transportation service.

The unit "gross ton miles per train hour" is the resultant of the train load and the train speed. Ordinarily, the major emphasis is placed upon the train load and relatively little attention

is given to the train speed. Train costs correspond more closely with train hours than with train miles. Fuel consumption is more a function of time than a function of distance. Train wages in freight service, although stated in rates per mile, are in nearly every case virtually on an hourly basis, as the guaranteed minima in miles per hour are usually greater than the actual miles. The further factor of punitive rates for overtime hours has an important bearing.

It is obvious that a 2,000-ton train which moves 100 miles in 10 hours produces exactly the same number of ton miles as a train of the same weight which is run the same distance in 7 hours. The gross revenue would be the same in each case, but the cost in the first case would be based upon 10 train hours and in the second case upon 7 train hours, and the cost per ton mile in the second case would be substantially lower. Besides, there would be a theoretical saving of 3 hours in which the tracks could be used by other trains, a factor which has an important bearing when the traffic of a road has nearly reached the point of saturation.

After deciding to enter upon a campaign for increasing the gross ton miles per train hour, the management's first move was quietly to post a chart in each engine house, yard office, important station, and all operating department offices, a chart showing graphically the total gross ton miles and the gross ton miles per train hour by weeks during the year 1923 with the corresponding curve carrying the same information for the first month in 1924. After these charts had been posted several weeks, and had aroused some curiosity on the part of employees, the general manager, under date of February 14, 1924, issued a circular which called attention to the charts, explained what was meant by the statistical unit, and described how the basic data were computed. Then he added, "The efficiency of all railroads is being checked on their performance in gross ton miles per train hours and it is to the interest of the employees as well as the management that the Walworth Railroad make a very good showing. It is trusted that the men will watch these statements showing the improvements they are making week by week, and will do everything in their power to eliminate unnecessary delays on the line so as to increase the gross ton miles per train hour."

On March 4, 1924, the general manager issued a bulletin giv-

ing the figures for the first two months of 1924: January, 10,402; February, 10,349. In commenting on these figures he suggested the objective of 11,000 gross ton miles per train hour.

On April 8, another circular was issued giving the figures for January, February, and March. For March the gross ton miles per train hour were 11,364 or 364 above the objective. The general manager then suggested that the objective be increased to 12,000. On May 12, the figures for April and the first week in May were posted. April had dropped off somewhat in comparison with March, but the performance during the first week in May was 11,799.

On June 9, the complete figures for May were posted: first period, 11,799; second period, 11,551; third period, 12,303; fourth period, 11,383, an average of 11,721 for the month.

On July 7, another circular published the results for the month of June, the average being 12,402, with 12,918 in the fourth period of the month. After extending his congratulations on this performance, the general manager increased the objective to 13,000 and asked the cooperation of the men in attaining it.

On August 11, a circular was issued showing that the average for the month of July was 12,182, with a maximum of 12,576 in the first period. The figures for the month of August were posted on September 8. The average for the month was 12,500, with a maximum of 13,246 in the fourth period.

In nearly all of these circulars the employees were urged not to take chances by increasing the train speed beyond the maxima allowed under the local operating rules. Attention also was called to the fact that inasmuch as the increase in the unit was resulting in better service to the public, it should bring additional business to the railroad.

The complete figures for September, 1924, were not available at the time of writing, but an estimate indicated that the average would be slightly less than 13,000, although an estimate for the first period of October gave the figures clearly above the objective.

The result of this campaign was to bring about substantial reductions in the ton-mile cost of fuel, wages of engine men and train crews, and other train service items. It also had the effect of speeding up the movement of cars. The extent of the improvement is shown in Exhibits 1 and 2. It will be noted that the increase in the unit, gross ton miles per train hour, has been

accomplished with substantially the same volume of traffic.

The improvement was brought about by a better train load and by reducing the delays in getting the trains away from originating terminals; by reducing the time consumed in taking sidings, getting train orders, and other incidents connected with the road trip; and by reducing the delays from the moment of arrival at the entrance to the final terminal until the train was in the yard. The management was successful in securing real cooperation from the men in train and engine service, the yardmen and the telegraph operators. The posting of the charts did more than arouse the curiosity of the men; they displayed a keen interest in the weekly additions to the curves. As the statistics were given in detail by operating divisions, competition arose between the divisions in their effort to show the greatest improvement.

An indication of the relative improvement is shown by a comparison of the operating results of July, 1924, with those of July, 1923. In 1923, the Walworth Railroad, in comparison with six other railroads in its own territory, produced the smallest number of gross ton miles per train hour. The Walworth Railroad's average was 9,833. For the other six roads the highest was 13,329 and the lowest 10,190. In July, 1924, the Walworth Railroad's average was 12,182, a better figure than 3 out of the 6 of the neighboring roads whereon the average ranged from 10,244 to 14,745. In car miles per car day the Walworth Railroad made a gain from 23.5 miles to 28.5 miles, whereas, on the neighboring roads, with but one exception, the performance in 1924 was less favorable than in 1923.

That unit was based on all cars on the line, including those stored and unserviceable.

In fuel efficiency, expressed in the unit "pounds of coal per 1,000 gross ton miles," the Walworth Railroad ranked third in July, 1923, and in July, 1924, it ranked first.

During the first six months of 1924 the direct freight-train expenses of the Walworth were \$1.392 per 1,000 gross ton miles. The comparable expenses for the first six months of 1923 were \$2.039. The details are listed in Exhibit 3.

The reduction in the cost of locomotive repairs was brought about in part by the use of a greater number of new locomotives in 1924 and by an improvement in shop morale which had been

EXHIBIT 3

DIRECT EXPENSES OF FREIGHT-TRAIN SERVICE OF WALWORTH RAIL-
ROAD PER 1,000 GROSS TON MILES, IN FIRST SIX
MONTHS OF 1923 AND 1924

ITEM	JANUARY 1 TO JUNE 30	
	1924	1923
Locomotive repairs.....	\$0.231	\$0.324
Train enginemen.....	.229	.312
Fuel for train locomotives.....	.503	.817
Other locomotive supplies.....	.018	.020
Engine-house expenses.....	.079	.143
Trainmen.....	.270	.355
Train supplies and expenses.....	.062	.068
Total.....	\$1.392	\$2.039

adversely affected by the shopmen's strike in 1922-1923. The cost of fuel per ton mile was favorably influenced by a slight reduction in the price of coal per ton. It should be noted also that the months of January and February, 1923, were marked by unusually severe snow troubles.

EXHIBIT 4

OPERATING STATISTICS OF FREIGHT-TRAIN SERVICE OF WALWORTH
RAILROAD IN FIRST SIX MONTHS OF 1923 AND 1924

ITEM	JANUARY 1 TO JUNE 30		PERCENTAGE OF CHANGE	
	1924	1923	Increase	Decrease
Gross ton miles (thousands).....	581,538	566,293	2.7	
Net ton miles (thousands).....	227,016	220,843	2.8	
Freight train miles.....	519,261	584,236		11.1
Freight locomotive miles.....	541,793	617,120		12.2
Freight car miles (thousands).....	17,087	16,524	3.4	
Freight train hours.....	51,816	66,862		22.5
Tons of fuel consumed by freight locomotives.....	50,190	67,501		25.7
Cars per train.....	32.9	28.3	16.2	
Gross tons per train.....	1,120	969	15.6	
Net tons per train.....	437	378	15.6	
Net tons per loaded car.....	19.1	19.2		.5
Train speed in miles per hour.....	10.0	8.7	14.9	
Gross ton miles per train hour.....	11,223	8,470	32.5	
Net ton miles per train hour.....	4,381	3,303	32.6	
Net ton miles per car day.....	386	299	29.0	
Car miles per car day.....	28.2	21.6	30.5	
Coal (lbs.) per 1,000 gross ton miles....	150	204		26.5

The significant items in the statistics of freight-train service during the first half of the year 1924, compared with the performance during the first half of the year 1923, are shown in Exhibit 4.

The management in November, 1924, was continuing its efforts to make further improvements in the gross ton miles per train hour, believing that a concentration of attention upon that single unit would be more effective than a diffusion of effort on other related units. The improvement was not attributable wholly to the improved facilities. The general manager's estimate was that one-half of the improvement should be credited to the better facilities and equipment and that the other half was the result of the campaign of education and the success in securing the interest of the men in the statistics of operation.

INFORMATION SUBSEQUENTLY REPORTED

In 1925 figures indicate that the campaign was effectively sustained during that year. By months in 1925, up to and including November, the two units of performance and cost were as shown in Exhibit 5.

EXHIBIT 5

GROSS TON MILES PER TRAIN HOUR AND DIRECT EXPENSES PER 1,000 GROSS TON MILES, WALWORTH RAILROAD, FIRST ELEVEN MONTHS OF 1925

1925	Gross Ton Miles per Train Hour	Direct Expenses per 1,000 Gross Ton Miles
January.....	11,320	\$1.490
February.....	11,684	1.349
March.....	12,642	1.232
April.....	12,602	1.234
May.....	13,288	1.083
June.....	13,067	1.106
July.....	12,673	1.155
August.....	12,913	1.185
September.....	13,017	1.251
October.....	13,754	1.133
November.....	14,225	1.195

The unit costs for the 11 months' period, in greater detail and in comparison with the same period of 1924, are shown in Exhibit 6.

EXHIBIT 6

DIRECT EXPENSES OF FREIGHT-TRAIN SERVICE OF WALWORTH RAILROAD, PER 1,000 GROSS TON MILES IN FIRST 11 MONTHS OF 1924 AND 1925

ITEM	FIRST 11 MONTHS OF	
	1925	1924
Locomotive repairs.....	\$0.207	\$0.237
Train enginemen.....	.222	.222
Fuel.....	.380	.439
Other locomotive supplies.....	.018	.018
Engine-house expenses.....	.077	.077
Trainmen.....	.259	.270
Train supplies and expenses.....	.045	.059
Total.....	\$1.208	\$1.322

A summary of the significant units in the statistics of freight-train operation during the first 11 months of 1925 and 1924 shows the relation between those units and gross ton miles per train hour. The figures are given in Exhibit 7. The volume of gross ton miles in 1925 was 3.7% greater than in 1924. The increase in tonnage as well as the expenditures for improvements had a favorable influence on the operating units and gross ton-mile cost, but the effect of those factors undoubtedly was substantially augmented by the sustained interest in getting a larger and larger ton-mile output for every train hour.

EXHIBIT 7

OPERATING STATISTICS OF FREIGHT-TRAIN SERVICE OF WALWORTH RAILROAD IN FIRST 11 MONTHS OF 1924 AND 1925

ITEM	FIRST 11 MONTHS OF		PERCENTAGE OF CHANGE	
	1925	1924	Increase	Decrease
Cars per train.....	34.6	33.6	3.0	
Gross tons per train.....	1,193	1,152	3.5	
Net tons per train.....	474	449	5.6	
Net tons per loaded car.....	19.3	19.4		.5
Train speed miles per hour.....	10.8	10.2	5.9	
Gross ton miles per train hour.....	12,860	11,726	9.7	
Net ton miles per train hour.....	5,109	4,569	11.8	
Car miles per car day.....	33 6	28.1	19.6	
Coal (lbs.) per 1,000 gross ton miles....	127	139		8.6

COMMENTARY: This is an interesting case wherein the importance of

the time element in freight-train operation was recognized and wherein a well-conceived and somewhat original education program successfully enlisted employee cooperation in bringing about substantial increases in efficiency with substantial reductions in unit costs.

The case has two fairly distinct aspects. It may be considered from the viewpoint of operating economics and statistical control, and it may be considered from the viewpoint of relations with labor.

With respect to the first viewpoint the case points out clearly the basic elements in the statistics of freight-train operation, notes the general practice of overstressing the trainload without adequate regard to train speed, and indicates the significance and importance of statistical units which combine both quantity and speed.

Attention should be called to the possible dangers of overemphasizing the train speed factor at the sacrifice of the train load factor. The time factor is of greatest importance where trains are loaded so heavily as to prevent reasonable speed. In such cases a slight reduction in the load will permit a substantial increase in over-all average speed between terminals and will thus increase the average gross ton miles per train hour. The average time on the road, however, is influenced also by stand-by delays which bear little or no relation to load. By stand-by delays is meant the time spent at stations and junctions or on sidings waiting for orders, connections, or superior trains. A reduction in the load will have practically no effect on such delays. While a lighter load will permit faster speed over the difficult portions of the run, it may not permit any speedier movement over the favorable portions where there may be no difficulty in moving the heavier train at the maximum speed considered safe in freight service. When the average train speed is increased solely by a lighter load there may be no net economy if the load is reduced below the critical point. By critical point is meant that point which marks the boundary between a train load reduction which reduces ton-mile cost and one which is carried so far as actually to increase ton-mile cost. When, however, without change in tonnage rating, the average train speed is increased by a reduction in delays at terminals, junctions, and meeting or passing points, the gain is all net. In this case the better performance was made possible, presumably, by eliminating a large part of road delay, rather than by decreasing the train load. Exhibit 4 shows that the train load was actually increased, but in the factor the use of heavier locomotives must have had the greater influence.

It is to be noted that the reductions in unit costs are not to be attributed wholly to the increase in gross ton miles per train hour. Credit is to be accorded also to improvements in facilities and equipment. Without a more definite basis for allocation we are obliged to

accept the general manager's estimate that one-half of the saving was due to physical improvements and that one-half was due to the greater interest taken by employees in ton miles per train hour. This is a good illustration of the difficulty in determining with exactness just what part of total savings may be credited to a single factor in a complex situation where changes have occurred in several factors.

The most interesting aspect of this case lies in the willing cooperation of employees to bring about economies which adversely affected them collectively in reducing the gross amount of wages paid and the number of employees or the average wages per employee. Exhibit 3 shows that wages of enginemen and trainmen per 1,000 gross ton miles were reduced about 25%. With an increase of but 2.7% in gross ton miles the total wages must have been substantially less in the second period. Ordinarily the organized employees as a body are disinclined to support methods which reduce the number of jobs or the earnings per employee. In this case it appears that friendly relations growing out of mutual confidence between management and men were such that the employees loyally cooperated with the general manager in his effort to increase efficiency and to justify the capital expenditures financed by the controlling company. The text of the case does not mention this factor nor state how it was dealt with by the general manager in keeping the train hour performance before the men. It may be noted that the several circulars on the subject were silent as to the effects upon unit costs.

One difficulty about a drive of this kind upon a specific item of performance is that it is harder to maintain a keen employee interest once it has been aroused than to arouse it when the campaign is started. The maintenance of the 13,000 standard, or a further gain, will depend largely upon a continuation of employee cooperation.

October, 1925

W. J. C.

BEECHER SAW COMPANY¹

MANUFACTURER—SAWS AND FILES

EMPLOYEE STOCK OWNERSHIP—*Common Stock of Close Corporation Sold Only to Selected Executives.* A closely owned corporation manufacturing saws, knives, and files considered offering its common stock for sale to its employees. One family controlled the ownership and management of the company. The stock was unlisted and rarely changed hands. Some shares had been sold to selected major executives. The company paid full market rates of wages to its employees, shared its profits with chief executives, and gave annual cash bonuses to capable junior executives. In the belief that the stock was not a suitable investment for its employees in general, and that sale of stock might impair effective control of the company, the company decided against offering its shares to any but selected major executives.

(1924)

In 1924 the general executives of the Beecher Saw Company discussed the desirability of revising their policy regarding the sale of company stock to selected managerial employees.

The Beecher Saw Company manufactured saws, machine knives, and files. It owned two plants on the Atlantic seaboard, one in the Middle West, and one in Canada. The company's organization included approximately 2,000 persons. Sales branches were located in most large cities of the United States, and branch warehouses had been established at several important points. The company advertised its products nationally.

The Beecher Saw Company was one of three strongly competing manufacturers of high-grade saws in the United States. All these companies had been in existence for many years. The Beecher Saw Company had been founded by Daniel Beecher prior to the Civil War. From 1900 to 1924 the company had succeeded in increasing gradually its proportion of the total sales of high-grade saws in the United States. Particularly during the last years of this period, competition in the industry had been active. In those years, the company's sales had ranged from \$8,000,000 to \$12,000,000 annually. There were pronounced seasonal and cyclical variations in sales volume.

No-par common stock and a small issue of bonds constituted

¹ Fictitious name.

the company's securities. The bonded debt was less than \$1,000,000. In 1924, 20% of the stock was held by 65 individuals who either were or had been active in the management of the company. The remaining 80% was held by four chief executives who were members of the Beecher family. That family always had retained control of the company.

The common stock of the Beecher Saw Company was not listed on any exchange, nor was it traded in over the counter. The stock seldom changed hands. The chief owners always were ready to bid for any of the stock offered for sale. Few holders of small lots wished to sell their stock to these chief holders, however, and some of the small stockholders had continued to hold the stock after they became inactive in the business. The chief owners wished to regain ownership of such shares or, at least, to have them held by persons associated with the company.

As managers, the chief owners of the business had reinvested most of the company's net earnings in the enterprise. Annual dividends on the company's stock had not averaged more than 4½% on the estimated prices of the shares. The company did not furnish its minority stockholders with figures of net earnings except on demand. One competitor of the Beecher Saw Company also was a closely owned corporation. So far as the Beecher Saw Company knew, that competitor had not published a financial statement or borrowed funds for many years.

The chief stockholders, for some years prior to 1924, occasionally had offered to sell stock to selected officials in the company's employ, thinking that, by virtue of such stock ownership, those officials would exercise greater initiative and energy in the company's affairs. The men to whom offerings were made were chosen because they were judged to be exceptionally able. Almost without exception those men had been receiving annual salaries of more than \$5,000 when they first were offered stock. A few managerial employees to whom the stock was offered had refused to purchase it because of the low dividend rate and the fact that the stock was not listed on any exchange. On the other hand, there were at all times executives in the organization who wished to buy company stock but to whom the four large owners did not wish to sell.

A few salaried employees of the Beecher Saw Company had invested their surplus earnings in other enterprises. Subse-

quently they had lost some of their interest in the company and had not devoted their best efforts to its affairs. The owners of the company did not object to the purchase of securities of other companies by executives who were not permitted to buy Beecher stock. They did object, however, to those executives' taking an interest in outside investments to the detriment of their usual duties.

No executive was allowed to purchase Beecher stock on an installment basis. The chief stockholders, however, had assisted certain managerial employees to borrow from local banks funds with which to purchase Beecher stock. The assistance consisted in furnishing references as to the characters of the borrowers and in explaining their positions with the Beecher Saw Company.

At first, in order that the stock issued to officials should not pass into the hands of persons inactive in the business, a verbal agreement was made that the purchaser would resell to the chief owners upon his retirement or resignation. Later, purchase options were executed, under which the chief owners had the first opportunity to buy at a stipulated price the stock of an executive upon his resignation, superannuation, or death.

The wage earners in the company's employ were paid on an hourly basis. Foremen and a majority of office employees were paid on a monthly basis. The wage rates paid by the company were at least as high as the market rates in the vicinity of the respective plants. In regard to wages, hours, and working conditions, the company endeavored to have its plants known as among the best in the several communities in which they were located. Moreover, the company endeavored to maintain regularity of work in all its plants in spite of seasonal and cyclical fluctuations. Each plant usually had a waiting list of persons seeking employment.

The company paid its branch sales managers, heads of important departments, and other managerial employees of similar standing relatively small salaries. In addition to their salaries, however, it paid them shares in the profits of their own departments or branches, if the net earnings of those departments or branches could be segregated; or, where segregation of profits was impossible, it paid them shares in the profits of the company as a whole.

Junior executives who in any year did meritorious work were

given cash bonuses at the discretion of the management. These bonuses ranged from \$1,000 to \$5,000 each. Employees in this class included heads of minor departments, assistant managers, and chiefs of office divisions.

The only bonuses paid to wage earners were those given for constructive suggestions. The total annual expenditures for that purpose seldom exceeded \$5,000. Individual awards ranged from \$50 to \$200, the particular award depending upon the merits of the particular suggestion.

In 1924 one official of the company suggested that a block of stock be set aside and offered to the employees at large at a fair value upon an installment purchase plan. He stated that there was at the time widespread interest in stock ownership by employees, and he asserted that to have a large number of stockholders would prove beneficial to the company. The chief owners after considering that suggestion decided to continue to offer stock only to selected managerial employees. In view of the risks of the business, the chief owners did not regard Beecher stock as a suitable investment for wage earners; moreover, they wished the affairs of the company to remain confidential. Finally, they feared that an increase in the number of holders of small lots of stock would be followed by pressure from those stockholders for an increased dividend rate; the policy of reinvesting in the business most of the net earnings then might have to be modified.

COMMENTARY: Employers' plans of distributing stock or other company securities among employees ordinarily have the following purposes: to stimulate the employees to devote more thought to the business; to promote thrift among employees and to aid them in building up reserves against unemployment and superannuation; to harmonize the economic interests of employees and investors; and to give some measure of control to persons actively engaged in the business as contrasted with absentee investors.

In this case it appears that the extra compensation plans in effect had excellent incentive features; labor relations were satisfactory; the company was endeavoring to reduce unemployment directly; and no real problem of absentee ownership had arisen. So far as can be judged from the information in the case, the advantages, at the time, of a wider distribution of the company's stock among the employees would not have been large. The extra incentive plans already in effect were

well suited to the particular circumstances of the company. Obviously, the chief owners desired to maintain the enterprise as a close corporation.

The administrative control of the company was highly centralized, as it had been for many years. This form of control had demonstrated its effectiveness. The advantage of change was doubtful so long as the men in control remained active in the enterprise.

The principal managerial employees shared either in the profits of their departments or branches or of the business as a whole. A plan to pay a branch sales manager a percentage of the profits on the sales of his branch cannot have the harmful effect upon executives' relations that might result from a bonus to production department managers, calculated upon performance in their respective departments. In the former case, the bonus does not work hardship on any part of the organization, whereas a production department manager in his endeavors to cut costs or to increase production might cause difficulties in other branches of the factory organization. Specific production-department bonuses are not suited to manufacturing industries in which materials pass successively through a number of fabricating departments whose operations overlap to some extent. In such industries cooperation between departments is necessary to maintain economical and high-grade production. For this reason, supervisory bonuses in the manufacturing divisions of some organizations are calculated upon plant performance rather than upon departmental performance.

The extra remuneration paid by the Beecher Saw Company to its major executives apparently was sufficient to insure their interest in the company. The men to whom the payments were made could be expected to understand the complex forces which influenced the company's profits, and, consequently, the amount of their extra remuneration.

The liberal cash bonuses paid to junior executives for personal achievement also seem to have been effective in stimulating interest. The Beecher Saw Company's cash bonus scheme for junior executives must have caused the higher officials to watch with care the performance of younger men of ability in the organization.

Although the stock paid a low current return in proportion to earnings, and was to that extent presumably a sound investment, distribution of the stock of this company among the rank and file of employees as a form of investment to be purchased on an installment plan would have been undesirable from the employees' viewpoint.² The company's business was subject to marked seasonal and cyclical fluctuations. The stock was not listed and there was no broad market for the shares. If

² See also Thrasher Cotton Mills, 1 H.B.R. 203; commentary, 2 H.B.R. 451.

employees wished or needed to sell the stock, buying offers would come almost wholly from the chief stockholders, who were certain to be better informed regarding the company than any holders of small lots could be. Under those circumstances, employee owners might allege manipulation by the chief owners, notwithstanding its entire absence.

Sale of stock to junior executives might have promoted a more enduring interest in the Beecher Saw Company's business on their part than did the distribution of cash bonuses. This would have been true if the stock had been sold subject to a purchase option held by the chief owners. With such an option, junior executives would have been able to realize upon the capital value of the stock or to hypothecate it only with the knowledge of the heads of the business. Then, only the income from the stock probably would have been spent, and thus, in time, the stock accumulated would have become a personal reserve against unemployment, salary reduction, or superannuation. On the other hand, some junior executives would have resented the restraint imposed upon their ownership of the stock by the purchase option. In criticisms of cash bonuses, the form of extra incentive offered to junior executives by the Beecher Saw Company, it has been stated that they usually are spent and sometimes anticipated in expenditures and that they do not add to personal reserves. This generalization has numerous exceptions, and probably is less applicable to persons in executive ranks than to wage earners.

July, 1926

J. W. R.

SIMPLEX WIRE AND CABLE COMPANY

MANUFACTURER—WIRE AND CABLE

PROFIT SHARING—*Adoption of Plan for Sharing Profits with Employees.*

In 1901 a wire and cable manufacturing company decided to adopt a plan, renewable annually at the company's volition, for sharing a portion of its yearly net profits with employees. The purposes of the plan were: to induce employees to prevent waste; to cause them to take a more active interest in the company; and to influence desirable employees to remain with the company.

(1901-1926)

In 1926 the Simplex Wire and Cable Company, manufacturer in Cambridge, Massachusetts, made the twenty-fifth consecutive annual payment to employees under its profit-sharing plan. The company shortly thereafter reviewed its experience with, and appraised the merits of, the profit-sharing experiment.

The plan had been established primarily to enlist the interest of the workmen in the company's business. A minor aim had been to induce employees to remain in the company's organization. Because the plan was an experiment, with the possibility that its results might prove unsatisfactory or its provisions unsuited to the aims that the company had in mind, the directors had decided to reconsider the plan at the close of each year.

In the 25 years that the plan had been in effect, no important changes had been made in the chief provisions dealing with profit sharing. Supplementary benefits were added to the plan; its application was extended from the factory force to practically all employees; and additional rules were drawn to govern its operation as particular problems presented themselves.

Adoption of the plan first was announced at the beginning of 1901 by the president of the company at a mass meeting of the factory employees. The chief purpose of the plan was mentioned, and the speaker stated that the company was confident that the workmen, by exercising greater care and initiative, would earn the profits they were to receive under the arrangement. The president announced that the profit sharers were to receive a fixed percentage of the company's net profits, so that the amounts of their shares would vary directly with the company's profits. The

percentage that had been decided upon was not announced since the company was a private corporation and the directors were unwilling to make public any statement from which the amount of its profits could be determined. In order to give the workmen some idea of their probable shares under the plan, however, the president stated that the percentage, as fixed, justified the expectation that profit shares for 1901 would be at least 5% of profit sharers' wages for that year, provided the company's profits in that year were as large as those of the year preceding. The company paid its employees the rates of wages that were current in its locality.

Although the employees seemed to be pleased with the announcement and to believe that some advantage would come to them as a result of the profit-sharing plan, it was apparent that they viewed that advantage as far removed and that comparatively few seemed to understand the profit-sharing arrangement.

A year later, at another factory mass meeting, the plan was renewed for the year 1902. Even then many of the employees seemed to have no more than a vague notion of the plan. The executives were of the opinion that the company had realized benefits from the operation of the plan during the preceding year, although the benefits were not so great as it had been hoped they would be.

The payment of the first dividend, about March 1, 1902, however, had a pronounced effect. Thereafter, the results of the plan were judged by the executives to be satisfactory. No proposal to abandon the experiment was made after that time. The company officials made no attempt to judge the plan on the basis of figures. The president stated that it was impossible to show by figures that the extra efforts called forth by the plan were commensurate with the expense. The conclusions of the executives were based upon surveys and first-hand knowledge of the attitude of the profit sharers toward their duties and the company. The profit-sharing plan was mentioned in dealing with some cases of error or negligence; workmen were reminded that deficiencies on their part would reduce the amount payable to the group of profit sharers. The endorsement of the plan by the chief executives was deemed to have been a factor in its success. The president, who sponsored it, had been manager of the company's plant for many years.

Each year for four or five years after the plan was introduced, an announcement was made of its renewal at a factory mass meeting. Thereafter, however, employees at the beginning of each year were given a small booklet which contained the rules for the current year. When these booklets were distributed, a tentative list of profit sharers for the year was posted so that any employee not mentioned on the list could present, if he wished, a claim for inclusion under the plan. In 1906 the employees arranged a dinner to which they invited the general officers of the company, and a similar gathering was held each year thereafter. At each dinner the company's president reviewed the history of the company during the past year and told of its plans and of the business prospects for the year to come.

The chief development in the plan was its extension to members of the sales and office organizations. The company's executives, after a few years of experience with the plan, became convinced that the effectiveness of a profit-sharing plan in stimulating the interest of the different employees varied with the employees' ability to comprehend the indirect and deferred but, nevertheless, real effect of their individual efforts upon the profits of the entire organization. In harmony with this conclusion the company, in 1913, extended the plan to the clerical and sales forces at the main office, and a year later to employees at the branch offices. Each time the plan was extended to include additional employees, the company increased the percentage of profits to be allotted to profit sharers. The percentage increase in each case was proportionate to the increase in the aggregate of the participating pay roll, so that the shares of participants already in the plan were not decreased because of its broader application.

The percentage of the company's net earnings set aside for profit sharers was not reduced at any time in the period under review. Three increases in that percentage were made in addition to the adjustments made because of the broadening scope of the plan. In spite of these increases, the percentage that profit shares bore to wages had declined after 1917, as shown in Exhibit 1. That ratio change came about because increases in payroll totals between 1915 and 1925 were much greater than increases in net profits during the same time.

EXHIBIT I

AMOUNTS OF, AND NUMBER OF PROFIT SHARERS INCLUDED IN, PRELIMINARY AND FINAL PROFIT-SHARING PAY ROLLS FOR FACTORY FORCE OF SIMPLEX WIRE AND CABLE COMPANY, AVERAGE ANNUAL WAGES OF PROFIT SHARERS, AND AVERAGE PROFIT-SHARING PAYMENTS

YEAR	PROFIT-SHARING PAY ROLL						PERCENTAGE OF FINAL PROFIT-SHARING PAY ROLL TO TOTAL PAY ROLL	AVERAGE ANNUAL WAGE PER EMPLOYEE	AVERAGE PROFIT-SHARING PAYMENT PER EMPLOYEE	PERCENTAGE OF AVERAGE PROFIT-SHARING PAYMENT TO AVERAGE ANNUAL WAGE
	AMOUNTS		NUMBER OF PROFIT SHARERS		Final†					
	Preliminary*	Final	Preliminary	Final†						
1901	\$ 36,500	\$ 27,298.57	67	52	39.96	\$ 524.97	\$ 58.02	11.05		
1902	47,600	38,030.87	91	71	45.98	535.65	70.99	15.00		
1903	50,180	39,637.74	97	71	38.30	558.28	68.99	12.01		
1904	56,030	40,729.95	103	78	40.10	522.18	38.76	7.43		
1905	68,796	57,605.74	128	101	43.19	570.35	72.63	12.73		
1906	78,411	66,595.37	141	116	40.39	574.10	105.92	18.45		
1907	93,023	57,035.74	168	98	51.39	582.00	106.20	18.25		
1908	79,230	64,222.10	134	116	55.08	553.64	54.09	9.77		
1909	92,074	78,018.38	165	139	51.05	561.28	53.23	9.49		
1910	100,420	81,386.05	172	139	41.09	585.51	61.52	10.51		
1911	114,504	88,477.28	194	152	48.61	582.68	54.30	9.33		
1912	113,880	96,456.22	178	156	44.16	618.31	61.75	11.40		
1913	120,740	108,303.61	206	161	38.90	673.25	86.61	13.57		
1914	156,512	122,959.63	245	194	56.59	633.81	64.56	10.19		
1915	182,780	155,032.40	284	239	69.06	648.67	48.77	8.26		
1916	180,336	167,291.20	260	200	51.51	836.46	129.91	15.53		
1917	218,528	210,168.87	257	226	50.20	960.77	144.78	14.93		
1918	240,110	267,183.62	298	238	50.48	1,122.62	86.62	7.716		
1919	332,878	306,813.25	307	255	59.2	1,203.19	115.71	9.617		
1920	411,320	396,763.36	317	255	56.6	1,555.93	128.46	8.256		
1921	400,803	318,581.59	280	235	73.2	1,355.67	102.64	7.571		
1922	354,714	327,348.59	282	230	59.8	1,387.07	78.63	5.669		
1923	367,034	390,204.38	291	248	40.0	1,573.40	163.52	10.393		
1924	489,866	469,736.09	301	326	51.5	1,440.01	125.58	8.715		
1925	687,538	614,346.88	521	436	69.3	1,409.05	97.39	6.912		
1926	676,620	.....	...	...	.....	.....	.....	.....

*Preliminary pay roll was computed at the beginning of each year for which profit shares were to be paid by multiplying by 52 the total normal weekly earnings of the employees on the preliminary pay roll; that number included all those employees who were eligible as profit sharers and who had been in the company's employ for at least one year prior to the year to which the preliminary pay roll applied.

†On the final pay roll for any year were included all those employees on the preliminary pay roll for the year who remained in the company's employ until the profit shares for the year were paid.

The average annual wage paid per employee during the five years from 1921 to 1925, inclusive, was more than twice as large as the average annual wage paid in the period from 1901 to 1912. From 1921 to 1925 competition met by the company was exceedingly keen. Although sales in that period were large, the percentage of net profit on sales was small. The pay roll varied almost directly with the value of sales, while the amount of the company's net profits did not.

Between 1901 and 1926 the factory force increased gradually to 600 persons. In 1926, approximately 10% of the factory employees were women. A number of nationalities were represented among the profit sharers. Skilled men were employed to maintain plant equipment in operating order. Some of the machine operatives were skilled and others were semiskilled. Unskilled workmen were employed chiefly as helpers. Wages amounted to from 10% to 15% of the amount of billed sales.

The provisions of the company's profit-sharing plan for 1926 follow:

PROFIT-SHARING RULES FOR 1926

Those Included

All employees except those specially excluded.

Preliminary List of Profit Sharers

This includes only those who have been continuously in our employ since January 1, 1925. (See list of factory names on bulletin board in driveway.)

Final List of Profit Sharers

This includes only those on the preliminary list who shall remain continuously in our employ until the dividend for 1926 is paid. Any one on the preliminary list who may be discharged, or who may leave our employ before the dividend is paid, will lose all share, even though he may be employed again later on, and his share will be divided among those remaining.

Profit-Sharing Dividend

We propose to divide among the profit sharers a definite percentage of the profits on our business for the year 1926, and this percentage is the same as for the year 1925.

The actual amount of money to be divided will depend entirely on the amount of our profits for 1926. Each profit sharer will share in proportion to the wages he receives during the year. Under no condition shall we be expected to pay any profit sharer more than 20% of his wages for the year.

The profit-sharing dividend will be paid on or about March 1, 1927.

Disability (Occupational)

In case of injury, a profit sharer shall be considered as having received his regular wages for such time as he receives compensation insurance, but not for more than 50 weeks.

Disability (Nonoccupational)

Disability of a factory profit sharer resulting from nonoccupational causes is covered by health insurance. All factory profit sharers are insured from January 1, 1926. Benefit begins on fourth day of disability, and continues for a period not exceeding 26 weeks. Occupational injury is covered from the fourth day of disability to the time when compensation insurance begins. Details of this insurance shall conform to the laws of the Commonwealth of Massachusetts.

Health Insurance Benefits

Optional weekly benefits, based on wage rates, are shown below.

WEEKLY WAGE RATE	WEEKLY BENEFIT
\$15.00 under \$20.00	\$10.00
20.00 under 25.00	10.00 or 12.50
25.00 under 30.00	10.00, 12.50, or 15.00
30.00 and over	10.00, 12.50, 15.00, or 17.50

Bonus shall not be included in weekly wage rate except to raise the rate to \$15.

Health Insurance Cost

The cost of each factory profit sharer's health insurance will be deducted from his profit-sharing dividend payable March 1, 1927.

WEEKLY BENEFIT	ANNUAL COST OF INSURANCE
\$10.00	\$11.00
12.50	13.75
15.00	16.50
17.50	19.25

Death Benefit

A death benefit of \$1,000 is provided by us, without charge, for each factory profit sharer. In case of death this will be paid to the dependent elected by him and approved by us.

In case of death during 1926 of a profit sharer, not a member of the factory organization, a death benefit may be paid and deducted from the profit-sharing fund. The amount of this benefit shall not exceed the profit-sharing percentage last paid on his estimated wages for the whole year 1926, unless settlement be deferred until the next profit-sharing distribution, in which case that percentage may be used.¹

¹ In the determination of the death benefit payable to a profit sharer not a mem-

Layoffs

Any employee who may be laid off shall be considered as no longer in our employ unless he return to work within six weeks.

Leave of Absence

Leave of absence for more than six weeks shall be granted only to profit sharers, and only upon application approved by the president, treasurer, or factory manager.

Any employee absent because of sickness shall be considered as still in our employ for such period as we may deem reasonable.

Assignment of Wages

Receipt by us during 1926 of notice of assignment of wages will cause the individual concerned to lose one-third of his profits for the year.

Interpretation of Rules

Any doubtful case not clearly covered by these rules shall be referred to the factory committee² for decision.

As there was some labor turnover in the 14 months which

ber of the factory organization the plan permitted two options. The company selected that option which, in its judgment, would yield the estate of the deceased the larger payment. Under the first method of settlement the payment was not deferred; the deceased employee's actual earnings during the calendar year were supplemented by an estimate of what his or her earnings might have been for the balance of the year. To the total thus determined was applied the rate which the profit shares last paid bore to annual wages. The resulting product was the death benefit. Under the second method, settlement was deferred until the next profit-sharing distribution. In that event, the estimated annual wage determined as above participated on a par with employees' actual wages in the calculation and distribution of profit shares.

² Factory committee:

The factory committee shall consist of 15 members, of whom 5 shall be elected by ballot each year to serve for a term of 3 years.

Male profit sharers only shall be members of the committee. Membership shall be further restricted to those who have been profit sharers for the 3 years immediately preceding their election.

All factory profit sharers shall be entitled to vote, and each department shall elect its own representatives.

Representation by departments shall be as follows:

Weatherproof	3	Mills	1
Rent and power.....	2	Cable, tin and lead.....	2
Office	1	Twisting	2
Insulating	2	Testing	1
Vulcanizing	1		

One-half of all votes cast in a department shall be necessary for election.

When a second ballot is necessary there shall be only two candidates for each position to be filled. These candidates shall be those receiving the larger numbers of votes on the first ballot.

Any tie will be settled by drawing lots.

Any vacancy on the committee shall be filled at the next annual election by electing a member to serve for the unexpired term. No member shall be eligible for reelection while on the committee.

EXHIBIT 2

RATIO OF NUMBER OF EMPLOYEES ON FINAL PROFIT-SHARING PAY
ROLL OF FACTORY FORCE OF SIMPLEX WIRE AND CABLE
COMPANY TO NUMBER ON PRELIMINARY
PROFIT-SHARING PAY ROLL

Year	Ratio	Year	Ratio
1901	77.6%	1914	79.2%
1902	78.0	1915	84.5
1903	70.2	1916	76.9
1904	75.7	1917	87.9
1905	78.9	1918	79.9
1906	82.3	1919	83.1
1907	58.3	1920	80.4
1908	86.5	1921	83.9
1909	84.2	1922	83.7
1910	80.8	1923	85.2
1911	78.3	1924	90.3
1912	87.6	1925	83.7
1913	78.2		

elapsed between the calculation of the preliminary profit-sharing pay roll and the calculation of the final profit-sharing pay roll, the former always exceeded the latter. Reduced employment during the year also had the same effect. These factors, which tended to reduce the final participating pay roll, had been offset to some extent at times by increases in wage rates and by large piecework production by profit sharers. Exhibit 2 shows, by years, for the factory force the number of employees on the final profit-sharing pay roll as compared with the number on the preliminary pay roll.

It had been decided to pay profit sharers' gains under the plan in cash because the executives thought the employees would experience maximum satisfaction from their shares in that way. The distribution of profit-sharing certificates, whatever the basis of return thereon, would not afford the employees as much satisfaction, it was thought, as the distribution of cash. The executives did not wish to dictate the manner in which the employees should spend their profit shares; the executives had not learned of many cases in which the payments had been spent to the employees' detriment. On the contrary, a large number of cases were known in which the payments had been saved or had been expended for household or personal capital.

The provisions concerning disability, sickness, and death bene-

fits were parallel to and not a part of the profit-sharing plan. These benefits applied to profit sharers. The cost of health insurance was deducted from employees' profit shares in order to save the clerical expense of making the weekly deductions from the employees' wages.

The provision concerning occupational disability was adopted shortly after the Massachusetts workmen's compensation law became effective. The health insurance benefit was adopted in 1925.

Before adopting the health insurance plan the president of the company had the factory committee canvass the works organization. The committee reported approximately 74% of the organization to be in favor of the scheme. Upon that expression of opinion and the unanimous endorsement of the factory committee, the provisions were made effective.

The sliding scale of sickness benefits was specified by the insurance company to prevent malingering. Thus, an employee earning \$15 was not permitted to subscribe for insurance providing benefits of \$17.50 a week. Such a contribution would tempt the individual to feign illness. The company paid the group health insurance premium in advance and was reimbursed 14 months later by the deductions from the profit-sharing fund.

The factory committee was set up some years after the plan first was installed. The president of the company, who previously had decided questions which arose in the administration of the plan, thought that the employees whose shares were changed, even though slightly, by such rulings should decide upon cases of similar character thereafter. The factory committee's only designated duty was to decide cases not covered by the profit-sharing plan's rules, but the committee served upon occasions to advise company officials upon other matters of mutual interest to the company and the employees, such as shop regulations.

The layoff provision was adopted to settle with definiteness many claims which constantly tended to extend the period during which a person on the inactive list was to be regarded as "laid off." The leave of absence provision met the desires of foreign-born employees who wished to visit their native countries and also to retain their status as profit sharers.

The executives of the company were of the opinion that no

special conditions existed in the company's plant or in its sales or office organization, which made the profit-sharing plan more applicable there than it would have been in other manufacturing organizations.

With regard to the frequent allegation that employees should not share in profits because they cannot be assessed to recoup losses, the president stated that under the company's profit-sharing plan the employees, in the event of unprofitable operations during any year, might have to sustain the loss of contingent income. Their gains from profit sharing were limited by the company's success. He thought, however, that under this plan the employees' shares in profits were not similar to those of holders of common stock.

Concerning the length of service required before an employee was eligible to share in profits, the criticism sometimes was advanced that new employees contributed to profits no less than did employees of long service. The president thought that this criticism applied to a profit-sharing plan intended to reward current effort, but not to the Simplex Wire and Cable Company's plan with its quite different objectives. The percentage of profit sharers had varied from 40% to 70%, depending upon fluctuations in the force, which reflected changes in the volume of orders.

In the president's opinion, some of the criticisms of profit sharing apparently were made by persons contrasting the practice with piecework payments. He did not regard profit sharing and piecework as comparable. The second type of compensation was an immediate return for a definite result agreed to in advance. This plan of profit sharing, on the other hand, was intended to improve the morale of an organization that already was giving good service. More specifically, the plan was intended to induce employees to prevent waste; to cause them to take a more active interest in the company; and to induce desirable employees to remain with the company.

COMMENTARY: One of the chief merits of this profit-sharing plan was its simplicity. Notwithstanding this quality, the company reported that many of the workmen in the factory did not understand the proposal when it first was announced. This experience is a warning against elaborate incentive schemes. When not understood, their

effectiveness is narrowed, and they are likely to be regarded by the employees, if a strained labor situation exists, as clever devices chiefly to the employer's advantage. In this case, confidence in the official sponsoring the plan prevented such a reaction. It is significant also to learn that this plan was not installed originally to salvage a bad situation but to improve further the good service rendered by the organization's rank and file.

The definiteness of the plan is noteworthy. The terms were announced at the beginning of each profit-sharing period. No essential changes were made in the profit-sharing rules in 25 years. In consequence, the working of the plan had become familiar and trustworthy to the older employees. The only element of secrecy in the plan was the percentage of the company's net earnings allotted to the profit-sharing fund. In view of the private nature of the enterprise, this policy cannot be criticized.

The annual terms for which the plan was renewed set up definite limits to the company's obligations under it, as did the method of figuring the aggregate of the profit-sharing fund. To many, no doubt, the annual terms appeared as periods during which mutual endeavor could yield mutual advantage, and these aspects must have appealed to the spirit of association and the spirit of contest.

The president of the company stated that it was impossible to demonstrate with figures that the payment of profit shares called forth commensurate effort on the part of employees. No less positive, however, was his belief that the plan was worth continuing.

The purposes of this profit-sharing plan were quite different from those of "incentive" wage systems. The plan was not intended as compensation for performing specific tasks; it was a means for stimulating employees' initiative and for interesting them in the company's business. An employer, in seeking to obtain these reactions from employees, must be prepared to go far in faith.

The company's conclusions that the incentive value of profit sharing tended to vary with the intelligence of the employee, confirms the view elsewhere expressed that "the effectiveness of general profit sharing is in direct relation to the rank of the participators, and in inverse relation to the size of the concern or of the participating group."³

The company's president recognized no special features in the Simplex Wire and Cable Company's business that made profit sharing more worth while there than it would be elsewhere. It is to be hoped that as other cases on profit sharing are obtained, evidence will accumulate as to the relation between the success of the profit-sharing plan

³ James, Dennison, Gay, Kendall, and Burritt, *Profit Sharing*, Harper and Brothers, New York, 1926, p. 198.

and various particular circumstances. Such cases may indicate whether the employees in question were in charge of highly complicated machinery or carried appreciable property responsibility; whether they undertook duties usually assumed by indirect labor, and thus reduced supervisory costs; whether they had opportunities to prevent waste and safeguard the quality of products which could not be inspected after processing operations had been completed; whether a high degree of cooperation between them was an essential condition of economical operation.

Whatever effect this plan had upon the company's labor turnover record, that record appears to have been satisfactory. It must be borne in mind that the number of names on the final profit-sharing pay roll as compared with the number on the preliminary profit-sharing pay roll represented a turnover record of 14 months. On the other hand, this rate of turnover occurred among employees of at least 12 months' service, and therefore cannot be compared with the high rates which normally characterize the short-service group in a factory organization.

The fact that the company paid the current rates of wages to its employees disposes of any criticism that the profit-sharing payments were in lieu of wages or that Simplex employees accepted remote and uncertain returns as substitutes for immediate and definite gains. The extra compensation to profit sharers was a contingent element of income on top of market rates. It was payable by the company only in case business profits were realized.

In so far as the plan interested employees in company operations and broadened their views of the industrial relationship, it served an informative purpose. The plan increased the significance of manual operations in the Simplex plant. In consequence, it must have increased the satisfaction that many of the better grade of employees derived from their work.

August, 1926

J. W. R.

CALDWELL TELEPHONE COMPANY¹

EMPLOYEE REPRESENTATION—*To Inform Employees of Company Policies.*

In order to reduce labor turnover and to improve the effectiveness of its force, a telephone company in 1919 established a plan of employee representation. Employees in its traffic department were chiefly young women working as telephone operators. The company decided that the plan in that department would serve primarily to inform the employees of company policies and to adjust the employees' grievances. The plan was not to be a negotiating device nor to serve as an administrative agency.

EMPLOYEE REPRESENTATION—*Powers of Representative Bodies.* The objectives of an employee representation plan adopted in the traffic department of a telephone company were to inform employees of company policies and to adjust employees' grievances. In view of these objectives, representative bodies created by that plan were given power to discuss issues, but no votes were taken upon debated questions. Employee representatives also were empowered to appeal from management representatives' decisions to higher joint committees.

(1919)

In 1919, in spite of improved wages and working conditions, the employees of the Caldwell Telephone Company showed increased unrest and dissatisfaction. Many of the most promising employees and minor officials had failed to return to the company at the conclusion of the World War; many others had been induced to go into other industries by offers of higher salaries or wages. The management was of the opinion that the cause of the unrest lay in the tremendous postwar demand for additional telephone facilities and the resulting increase in the number of new employees and supervisory officials. Inasmuch as no special provision had been made for interpreting to the employees the functions and responsibilities of the management or the part which the employees themselves played in the organization, they were not in a position to understand the reasons for the company's policies.

In 1919, therefore, in order to reduce labor turnover and to increase efficiency by improving morale, the management of the Caldwell Telephone Company decided to encourage the introduction of some plan of employee representation. Before announcing

¹ Fictitious name.

its decision to the employees, the management selected tentatively a form of employee representation which appeared to fulfill the probable requirements of the employees. Similar plans were prepared for each of the company's three departments: traffic, plant, and commercial; but this case discusses only the plan for the traffic department, which contained 72% of the total number of employees. The employees of this department were telephone operators. The officials of the department performed the planning and supervision necessary to assure adequate service.

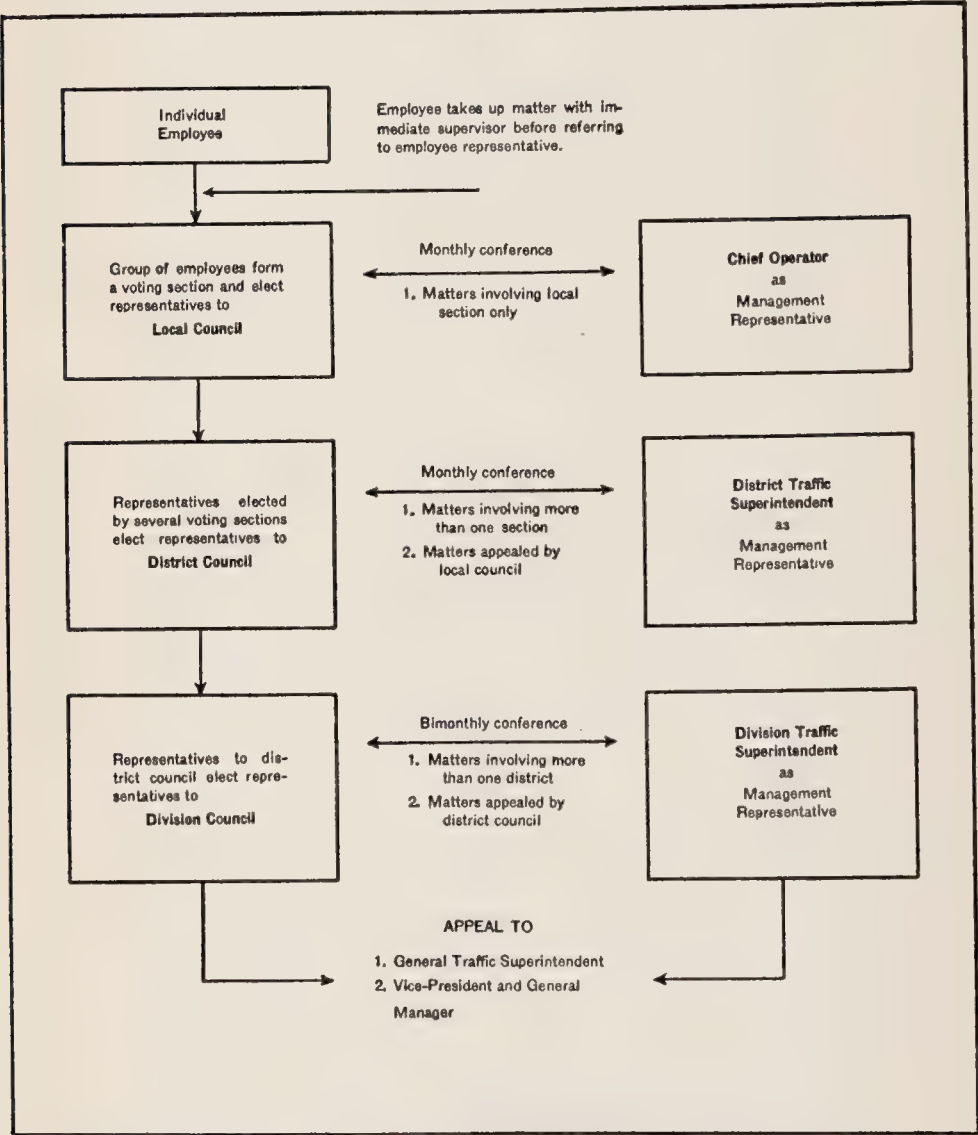


Exhibit 1: Proposed plan of employee representation in traffic department of Caldwell Telephone Company.

The plan, as outlined in Exhibit 1, permitted the employees at each exchange to elect three representatives who were to meet monthly with the local chief operator, as management representative, to form a local joint conference committee. The representatives on each local joint conference committee in a district were to elect from among their own number three representatives to meet monthly with the district traffic superintendent to form a joint district council. Lastly, the representatives on each district council in a division were to elect from among their own number three representatives to meet bimonthly with the division traffic superintendent to form a division council. Decisions of issues raised at the local conferences were to be made by each local management representative on all matters within the scope of his jurisdiction. Other matters, including decisions appealed by the employee representatives, were to be considered by the higher committees. In each committee, decisions were to be made by the management representative, but the employees were to have the right to appeal from any decisions to the next higher body.

There was a difference of opinion among the executives concerning the authority to be vested in the employee representatives under the tentative plan. Several officials were opposed to encouraging the employee representatives even to take part in discussions. They believed that it was sufficient for representatives of the management to address the employees on matters of common interest; that to allow employees to take part in discussions would interfere with discipline and constitute an encroachment upon the responsibilities and authority of the management. Other officials maintained, however, that to permit the employees to discuss with the management problems of mutual interest was not to transfer functions of management to them. By taking part in the discussions, employee representatives would gain a more intelligent understanding of the company's problems, which they, in turn, would impart to the whole group of employees.

Another group of officials asserted that the privilege of taking part in the discussions was not sufficient. They believed that employees should be given power to vote on questions which pertained to their own working conditions. These officials contended that employee representation in other industries had proved that the average employee was capable of logical reasoning and, therefore, was competent to vote on the questions which

might arise. The employees, it was further contended, might lose interest in and regard as ineffective any plan of representation which did not give their representatives the right to vote.

It was asserted, on the other hand, that if employees were entitled to vote, "block" voting, which accorded one vote to the management representative and one to the employees on a committee, would be necessary because of the numerical superiority of employee representatives. Under such an arrangement, tie votes would necessitate the reference of questions at issue to the next higher joint conference committee, which was practically what would happen under the proposed plan, inasmuch as that plan permitted the employee representatives to appeal from decisions with which they did not agree. It was stated, furthermore, that the average traffic employee of the telephone company did not desire a voice in controlling policies. A majority of the operators were girls between 17 and 18 years of age. They regarded their work as of short duration and were interested in outside affairs. The labor turnover, which at the time was greater than 50% a year, indicated that only a few employees remained long enough in the employ of the company to have sufficient knowledge and experience to enable them to vote intelligently on questions of policy. The conferences, it was pointed out, would afford opportunities for the employees to ask questions which they did not feel free to ask as individuals; the conferences represented, therefore, "safety valves" for the outlet of grievances and misunderstandings. Voting power for employee representatives, therefore, appeared unnecessary to many officials.

It seemed illogical to some officials, however, to give the management the power to decide every issue and yet to grant the employees the right of appealing decisions which they did not approve. Under such a policy, neither side had the power of final decision until the question reached the general manager; the respect of the employees for their immediate supervisors, therefore, might be destroyed. It was asserted, on the other hand, that the power of appeal insured justice to the employees. This plan, furthermore, required each local management representative to consider questions thoroughly and to convince the employees of the soundness of his judgment. If an official was unable to do this, the number of his decisions appealed soon would disclose his incompetence.

The management of the Caldwell Telephone Company concluded that employee representatives should have the privileges of discussion and appeal, but not voting power. The management appointed its representatives to meet with delegates elected by the employees and jointly they undertook to work out a plan of employee representation.

The result of these joint sessions was a plan which provided joint conference committees for central office areas, districts, divisions, and departments. There was to be no voting in the meetings, but any matter brought up for discussion was to be carried to a thorough understanding and agreement or referred to the next higher committee before the subject was closed. The plan stated that no employee was to be discriminated against by the management for action taken by him in good faith in his representative capacity.

COMMENTARY: This company's organization had been increasing rapidly in size. An unusually large number of new employees and new supervisors were being trained. Hence, the possibilities of misunderstanding between the employees and the management and the possibilities of improper supervisory action were increased. Among the employees of the traffic department a rate of turnover of over 50% existed. The problem of assimilating newcomers in that department was not only a postwar problem but one that would continue to exist in subsequent years. Many of the employees would be connected with the industry for a short time only. They were not vitally interested in the industry's welfare. They desired no managerial responsibility and, indeed, were incapable of assuming it. The company was engaged in a relatively stable business and could plan its policies in advance with a large degree of assurance that plans could be carried out consistently. The company's employees who were members of the traffic department came into contact with customers. Therefore, satisfactory human relations in the organization would result in better service to the public.

The officials rightly decided that employee representation, by bringing to light employees' grievances, would promote satisfactory relations between telephone operators and the corporation. The officials intended that the plan of employee representation should serve chiefly to acquaint employees with the policies of the company. The youth and inexperience of operators in this department, and the fact that most of them did not regard their work as a career, made it unwise to clothe the representative bodies with administrative responsibility.

Since the representative bodies were to serve primarily as educational mediums, there was no necessity for them to vote upon issues that were discussed. The power of the employees under this system consisted in the right of appeal. The management had expressed its desire to hear their views. It also guaranteed employees that it would not discriminate against them for expressions made in good faith.

Employees given the right to appeal sometimes question an immediate superior's decisions. Some junior executives fear the effect of such appeals upon the respect accorded them by their subordinates. Since this company's organization was expanding, a relatively large number of executives were in the process of learning their duties. They may have feared this plan of employee representation as likely to bring to light their incapacity. Such fears, very likely, were responsible for the opinions of those executives who urged that this plan merely convene representatives of the employees to hear addresses by officials.

That mode of conducting meetings with employee representatives would have curtailed the effectiveness of the plan. Addresses inform, but often they do not call forth a response from the hearers; discussions do both. Since discussions are less formal, they prompt those present to pursue their questioning until they understand fully the matters that have occasioned them concern.

Discussions in bipartite shop councils have both direct and indirect educational effects upon the supervisory force. Their direct educational value is patent. In addition, the employees' freedom to bring up matters in discussion causes junior executives to establish close relations with their immediate superiors in order to learn existing policies, and to discuss new issues with their superiors before deciding the issues immediately upon local considerations. These efforts are made so that decisions will not be overruled upon appeal. This indirect educational effect of a works council upon supervisors may not be realized, however, if they are antagonized by the plan. Whether they will be stimulated or antagonized by employee representation depends largely upon their abilities and their methods of managing. An administrative organization which does not view employee representation as a constructive force should not seek to establish the relationship.

February, 1926

J. W. R.

HOWE-MAXWELL COMPANY¹

MANUFACTURER—METAL PRODUCTS

CURTAILMENT OF WORK FORCE—*Basis for Selecting Individuals for Layoff and Discharge.* A metal manufacturing company having to curtail its force 20% in a period of business depression stated in a posted bulletin that in selecting individuals to be retained it would consider length of service and private circumstances, but that the determining factor was to be individual efficiency as determined in each individual case by the employee's foreman.

REEMPLOYMENT—*Employee Claiming Unfair Discrimination by Foreman.*

An employee who was discharged by his foreman during a period of business depression alleged that he had been unjustly discriminated against. Under the plan of employee representation in effect, his case was presented before a joint shop committee. Thence it was referred successively for disposition to the division superintendent, a committee on grievances whose jurisdiction extended over the entire works, and finally to the general manager.

(1921)

The Howe-Maxwell Company, manufacturing metal products, in the early part of 1921 had to curtail its labor force 20% as a result of the current business depression. The works manager posted a bulletin stating that, in selecting individuals to be retained, supervisors would consider length of service and private circumstances, but that the determining factor ordinarily was to be individual efficiency. One employee whose discharge was ordered for the purpose of reducing the work force appealed his case and alleged personal discrimination.

The Howe-Maxwell Company employed approximately 8,000 persons. When in 1921 it decided to curtail its work force, the management placed on the bulletin boards a notice which read as follows:

NOTICE

TRANSFERS—LAYOFFS—DISCHARGES

It should be understood that transfers, layoffs, and discharges are made by the management through the necessities of business, and are as undesirable to the management from the standpoint of efficiency as they are to the employee affected.

When such action has to be taken, it is the duty and right of the

¹ Fictitious name.

foreman to make the necessary changes in such a way as to maintain the efficiency of the work, and he will select for transfer, layoff, or discharge such employees as he may consider can best be spared from the job.

When the employee's record is satisfactory, every effort will be made to avoid hardship to the individual, and full consideration will be given to length of service, private circumstances, and so forth, but usually the determining factor must be the permanent efficiency of the job as determined by those in charge of the work.

Under the plan of representation, employees have the right to appeal to shop committees against transfer, layoff, or discharge, but, pending a settlement of the case, they should accept the decision of the foreman and when transferred go to work on the new job at once to avoid loss of time and wages.

The company's plan of employee representation had been in operation for approximately one year. The plan had been developed in joint conferences between a committee of three employees of the company, representing all the employees of the plant, and three representatives of the management. In this committee the plan had been thoroughly discussed and unanimously adopted.

Under this plan the works were divided into precincts, each containing approximately 500 employees. The employees of each precinct elected three members to serve on a joint shop committee. The committee for each precinct also included three men appointed by the management.

In addition to joint shop committees, appellate joint committees also were established. These appellate committees consisted of ten members, five appointed by the management and five elected at large by the employee representatives on the shop committees. One of these appellate committees was concerned with the adjustment of employees' grievances.

Any employee having a grievance or problem that he wished called to the management's attention took up the matter directly with his foreman or had an employee representative present the matter to the foreman. If a decision could not be reached with his foreman, the employee had the right to appeal to his joint shop committee. On appealing the case, the employee had to present the issue in writing, and, although he could have the assistance of a representative, he personally had to attend the meeting at which his case was considered. If the decision of his joint shop committee was not favorable to him, he could

appeal his case to the proper appellate committee. The last court of appeal was the general manager. In all instances the employee had to appeal his case within 10 days from the date of decision by any of the committees.

In making the necessary reduction in its labor force in 1921, the company undertook to follow its usual policy in laying off men, which was to transfer the skilled employees to lower grades of work rather than to discharge them.

On March 5, 1921, the members of one shop committee received the following letter:

GENTLEMEN:

I desire to put my case before your committee for your consideration. On Saturday morning, February 28, 1921, I was notified by my foreman, Mr. Johnson, that I was discharged. I asked for the reason and he stated that they were going to place another man on my job whom they considered more valuable to the company than I was.

I made the claim that I have been unjustly dealt with and discriminated against in this matter, and I am appealing to your body to rectify this condition.

I have been employed by the company 13 years next April on the same line of work. My record as a workman has never been complained of to me. Since the year of 1914, I have had charge of the line of work I have been employed on and have carried out the responsibility of getting out production on this job. This I have done to the satisfaction of everybody concerned, there never having been a complaint on this matter made to me. In fact, I have been complimented many times by Mr. Johnson, my foreman, on the manner in which I handled the job.

I claim that there has been discrimination in my case, as there are men on the job I was on who I was breaking in to do the work, and who have not been in the employ of the company a year yet. One of these men is single. I am the main support of my father and mother, also for a brother who is sickly and has just come out of the hospital and is depending on me until such time as he is able to support himself, which will not be for some time.

On the question of the man whom they put on my job being a more valuable man, I am willing to go before your committee and argue the merits of this question, as well as the merits of all other questions touching on this case.

I have always cooperated with my foreman and superiors, have never had any complaint from my foreman or others for showing improper spirit of cooperation, showing that there can be no complaint from this source.

Hoping that your body will rectify this matter and with full confidence in your fairness, I am

Respectfully,

(Signed) FRANCIS MARTIN

Martin was what was known as a "leading hand"; that is, he was responsible for and in charge of three or four men, yet he was rated as a workman. Diltz, the man who replaced Martin when Martin was discharged, had done similar work previously and had attended a technical school.

The shop committee heard this case on March 8. Its members were unable to reach a decision; the employee representatives voted in favor of reinstatement, while the management's representatives voted to sustain the action of the foreman in discharging Martin. As the voting resulted in a deadlock, the committee referred the case to L. D. Warren, who was the superintendent of the manufacturing division in which Martin worked. On March 10, Warren sent the following memorandum to the shop committee:

COMPLAINT OF FRANCIS MARTIN

Complaint:

Mr. Martin claims discrimination in that he was unjustly discharged and requests that a place be made for him on a lower grade of work, claiming that there are less valuable employees of shorter service who should be displaced in his favor.

Evidence:

The foreman, Mr. Johnson, was required to make use of the services of Mr. Diltz on productive work, inasmuch as Mr. Diltz is a widely experienced inspector, and it was found necessary to reduce the expense in the class of work he was doing.

Mr. Diltz formerly did the work Mr. Martin was doing. The foreman, therefore, displaced Mr. Martin and put Mr. Diltz on this work. It appears from the evidence that Mr. Johnson did not consider Mr. Martin of sufficient value and deserving to displace some one else and make a job for him. He, therefore, dropped Mr. Martin.

On my inquiry, Mr. Martin stated that there were no personal difficulties with his foreman, that his foreman had never shown a disposition in the past to favor other employees, at his expense, on small things. In fact, this was the only case in which he felt he was dealt unfairly with. Mr. Martin could not imagine any motive for Mr. Johnson's treating him unfairly, and does not believe he has been deliberately unfair to him but believes it is merely a matter of error in judgment.

On my direct question, Mr. Johnson stated that he still did not

consider Mr. Martin sufficiently valuable to warrant him in displacing some other employee.

Findings:

I find no evidence indicating any motive for unfair treatment or discrimination. There is difference of judgment between the employee and the foreman, and it seems to be in the province of the foreman to decide whether the employee is of sufficient value to him to warrant displacing some one else in his favor. I recommend that the committee uphold the decision of the foreman.

Mr. Martin's contention is only on length of service. It must be recognized that this is only one of several factors to be considered. It is impractical for a foreman to make several consecutive shifts in such cases. Confusion and inefficiency would result. The foreman is justified in making such shifts only in order to keep men considered of unusual value to the company.

After receiving the superintendent's memorandum, the shop committee again was deadlocked in voting on this case, and the case was referred to the appellate committee which dealt with employees' grievances.

The appellate committee heard the case on March 15. At that time Martin brought out the fact that he was a representative under the plan of employee representation and that some of his time was given over to his duties as representative. He thought it possible that his foreman, Johnson, might think that he spent too much of his time on shop committee work. Martin said that if this was the reason for his discharge he would resign gladly. The other evidence that he presented was that two of the men who still were working in his department had been working for the company less than a year and a half. Martin said that in his opinion, he, with his 13 years' experience, was better qualified to do the work than either of those men.

Johnson was asked his reason for discharging Martin instead of one of the two men referred to by Martin. Johnson said: "I retained three men. One is a 25-year man and would not be much good on any other kind of work. Another has worked on other jobs in the room, has a very good manner, is willing and capable, and is also the main support of his mother who has just gone to the hospital. He has been with the company one year. The third man has been with the company 18 months, is married, has just become a father, and his wife is laid up in the hospital."

Much evidence was presented which was irrelevant to the case.

However, it was brought out that Martin's work for the company had been satisfactory.

The appellate committee voted on the case after hearing the evidence, and it was unanimously agreed that Martin had not proved improper discrimination on the part of the foreman. However, the committee was divided. The members representing the employees ruled, "that in view of Mr. Martin's record as a workman and his length of service, and in view of the fact that the best judgment was not exercised in discharging Mr. Martin in preference to some one else in the department, it is recommended that he be reinstated at the earliest opportunity." On the other hand, the representatives of the management ruled, "that the case which was brought up by Mr. Martin as one of discrimination was not proved, that there is nothing but difference of judgment between the employee and the foreman, and as it is in the province of the foreman to decide whether the employee is of sufficient value to him to warrant displacing some one else in his favor, it is recommended that the committee uphold the decision of the foreman."

Since the appellate committee could not obtain a majority vote on either ruling, this case, in accordance with the rules of the plan of representation, was referred to the general manager for a decision.

COMMENTARY: An important question raised by this case is whether, after an employee has failed to prove before a bipartite shop-committee that he was unjustly discriminated against by his foreman, the committee should have the right to comment upon the foreman's judgment or to recommend action to be taken on the case by the foreman or by the company.

Plans of employee representation usually permit employees to appeal from any supervisory decisions which the employees believe were made with ulterior motives or without adequate knowledge on the part of the supervisors. An employee alleging such discrimination has the right, under those plans, to present evidence in support of his position. The foreman in such a case is presumed to be innocent of discrimination until the employee is able to prove the charge. The works council decides upon the merits of the charge made by the employee. Discipline of a guilty foreman, or any other action based on the council's findings, is left to the management.

Apparently both employer and employee groups in the appellate

committee of the Howe-Maxwell Company thought that it was within their province to comment formally upon the foreman's treatment of the men in his department. The resolution advanced by the management representatives purported to ratify the foreman's act; the resolution advanced by the employee representatives censured the foreman's judgment and recommended action to be taken in Martin's case. Neither resolution should have been proposed. The action of the committee should have been only to state that Martin had failed to prove his charge of unjust discrimination.

Martin did not allege that the foreman discriminated against him because of ulterior motives. Martin thought the decision resulted from inadequate knowledge or faulty judgment. He presented his side of the case. Subsequently, the foreman, Johnson, still was of the opinion that Martin was of less value to the company than the employees who had been retained. Since the determining factor in retaining employees at the time of this layoff was value to the company, and the foreman supposedly had made his decision with reference to that criterion, the secondary considerations of length of service and family responsibility had no governing significance.

The commentator's position with regard to the jurisdiction of the appellate committee assumes that the foreman was better qualified than was the committee to judge the relative merits of the employees under his supervision, provided he had an open mind and was acquainted with the facts. Employees, through the committee, could present evidence to influence the foreman's opinion, but, in the matter of rating his subordinates, the committee should not have undertaken to superimpose its judgment upon the foreman's. It may be alleged that if a foreman's rating always is to be taken as final, injustice sometimes may be done certain employees. That charge must be admitted to be serious. Thus, under an incompetent foreman a few individuals may suffer for a period. In a well-operated establishment, however, this condition could not long continue. It is not believed that the functions of works councils should be decided with reference to exceptional cases. In this company the appellate committee's review of and recommendations upon matters within a foreman's province where improper action on his part could not be demonstrated, would have had unfavorable results upon executive relations and upon the efficiency of the organization. These results probably would have been far more serious than the consequences of the relatively few cases of injustice which might otherwise occur.

Foremen recognize that a succession of cases in which they were charged with discrimination would result in a critical examination of their administrations by higher officials. Even before this oc-

curred, the morale in their departments would suffer greatly as the result of their subordinates' doubts whether workmen's efforts would be recognized impartially.

It probably would have been inexpedient for the general manager of the Howe-Maxwell Company to decide this case in favor of the foreman, in view of the inadequate support which the foreman gave his decision in the hearing. According to the reported transcript, Johnson did not defend his decision on grounds of Martin's lack of worth as contrasted with the worth of the employees who were retained, but referred to the family responsibilities of the other employees, their demeanor, and their length of service. Martin demonstrated that on the score of length of service and number of dependents he should have been retained instead of the two employees whom Johnson kept on the pay roll. The fact that Martin had been a leading hand certainly placed some burden of proof upon the foreman in selecting him for discharge rather than either of the other two employees, members of the rank and file, neither of whom had been with the company for more than 18 months.

In view of the foreman's presentation of his side of the case, the employee representatives logically thought that "the best judgment was not exercised" in the matter. The foreman defended himself on untenable grounds and in his statement neglected almost entirely the matter of relative worth of the men to the company. The foreman placed himself in a vulnerable position, and the manager to whom the case was appealed had to recognize the belief of the employee representatives that injustice had been done in the Martin case. If possible, the manager should have placed Martin at work in some other division.

May, 1926

J. W. R.

ELMORE COMPANY¹

MANUFACTURER

EMPLOYEE REPRESENTATION—*Jurisdiction of Representative Bodies—Held Not to Extend to a System of Work Standards and Wage Calculation Proposed but Not Installed.* The employee representatives on the works council of a manufacturing company asked for a detailed explanation of a new system of work standards and wages which the management had begun to install, but which had not been put into operation. Although the text of the representation plan authorized the council to discuss wages and working conditions, the general manager, to whom the matter was referred, refused the request. He held that the council's discussions should be limited to practices in effect, unless the management submitted a proposed measure to the council for discussion. If the council had the right to introduce proposed management action for discussion, the management's freedom to make necessary changes in operating plans would be improperly curtailed, he stated. The general manager's view was accepted by the council.

(1923)

In 1923 the Elmore Company decided to employ a firm of industrial engineers to install a new system of production control and wage payment. Shortly after the engineers began work, the employee representatives in the works council at this company's plant asked that they be informed in detail of the company's plans, stating that the matter had been brought to their attention by chance and not officially. They believed that the company should afford them opportunity to express their views on the proposed wage system.

The plan of employee representation in effect in the Elmore Company's plant had been established in 1921. It was expressly stated that the works council could discuss wages, hours, working conditions, safety, and welfare activities, and make recommendations to the management concerning these matters. The works council was a bipartisan body of 20 employee representatives, elected from their respective departments, and an equal number of management representatives. The majority vote of each side was recorded as its unit vote on any issue before the council.

¹ Fictitious name.

The plan of representation had been submitted to the employees and had been accepted by them in referendum vote. A minority, however, was bitterly opposed to the plan because of a desire to strengthen a labor union in which probably 20% of the Elmore Company's workers held membership. This union had called an unsuccessful strike against a wage cut agreed to by the works council about six months after the council's creation. Since that time, the union had not gained ground, although there were men in the plant who actively opposed the plan of employee representation and advocated unionism in its place.

During the 30 years that it had been in existence, the union had waged several bitter strikes against the Elmore Company and other companies in the city engaged in the same line of manufacturing. The Elmore Company had not dealt with the union officially for more than 15 years; the company objected to the type of leadership in the organization and to the violence and intimidation that had characterized the labor controversies in which the union had participated.

Most of the company's employees were semiskilled or unskilled. Operations were standardized and subdivided. Working conditions in certain departments were unpleasant because of the nature of the raw materials handled. In a few production departments there were skilled laborers, and the maintenance department employed a majority of craftsmen, such as machinists, carpenters, and pipe fitters. Unskilled labor was used in many of the production departments where the operations were simple; this type of labor was used also in transporting and loading materials and in various rough jobs about the plant.

The Elmore Company had reduced its rate of labor turnover considerably in the eight years prior to 1923, but the operating conditions in its plant, as well as the character of the local labor market, tended to keep this rate above 100% per annum. The city in which the Elmore Company was located was an industrial center in which a variety of products were made. This city was on a number of railroad systems, and a substantial part of its working population drifted back and forth between it and other near-by cities and agricultural sections. The labor turnover of the Elmore Company was particularly high among the unskilled workers. The company had found that a layoff of a fourth of its employees reduced its turnover rate 50%.

The management had proposed the plan of employee representation as a means of affording better contact with the employees. At first the plan was viewed with suspicion, but later the employees brought up before the works council many questions, dealing usually with working conditions, personal complaints, and piecework rates. These questions had been settled satisfactorily. Wages had been decreased and increased at the recommendation of the council; individual jobs had been rerated; working schedules had been revised; and in other ways the council had shown its usefulness to both management and employees.

The Elmore Company bought its raw materials and sold its finished product in highly competitive markets. Its opportunities for competitive advantage lay chiefly in improvement of its plant management and marketing methods.

In recognition of this situation, the company had inserted the following clause in the plan of employee representation:

The action of the works council shall relate to policies of the company in regard to matters of direct interest to the employees. The execution of policies remains with the management, although the methods employed by it are proper subjects for discussion in the works council.

In another clause it was stated that when the council could not agree on any plan of action or recommendation to the management, a counter proposal could be made. There was no provision for arbitration of deadlocked questions or for their reference to some official of the company or to its board of directors for final decision.

Approximately 4,000 workers were employed by the Elmore Company, and there was, in general, one representative for each 200 employees in the several precincts into which the plant had been divided. Within some of the precincts there were as many as 50 separate tasks, each having its own piece rate.

In deciding to install the new system of production control and wage payment, the management had been of the opinion that the step would improve the grade of foremanship in the plant and would induce the workers to put forth their best efforts.

In principle, the wage system which was to be introduced was based on production standards. The company guaranteed a minimum hourly wage. When any operative, or group of operatives if the group system had to be used, was credited for more work

than was called for by the standard, the operative or the group received a bonus equal to 80% of the piece rate, for the production above the standard. The other 20% was shared among foremen and indirect labor. The company saved in increased use of plant and consequent lower overhead costs. The production standards were to be set after time studies had been made of the operations. It was expected that a new study would be made whenever an operation was changed. Time studies were made upon individuals and groups of men at work; the engineering firm disapproved of laboratory studies or the use of pacemakers.

When the employee representatives asked for information regarding the new system, the senior management representative on the works council suggested that the request be referred to the general manager, and that a special meeting be called to hear his reply. This suggestion was acceptable to all present.

The general manager decided to present in a letter to the works council his views on the authority of that body. In the letter he said that the council, in his judgment, should limit its discussions to methods and policies in force. He thought that freedom on the part of the management to make changes in operating plans was essential to the success of the business, and that at times it was advantageous to the company to keep secret, until they actually were installed, new methods that might directly affect workmen by imposing changed tasks and responsibilities upon them. He feared that the management's freedom in introducing changes would be restricted if the employee representatives had the right to question and debate all proposed management action which directly affected them.

He stated that in his opinion the acceptance of this position by the employee committeemen would not impair their prestige nor reduce the favor in which the plan of employee representation was regarded by the workmen. He did not hold this decision inconsistent with the past practice of the management in asking the employee representatives' aid in efforts to improve production and to reduce waste, although these might be regarded as employee participation in managerial programs. The manager, in effect, drew a line between policies projected and those in force. The management could introduce either for discussion, but could limit the discussion of projected policies; the employees could discuss policies in force without restriction and could

recommend their modification. This view as expressed by the general manager was accepted by the employee representatives on the council.

COMMENTARY: Sound reasons can be offered both for and against the decision of the general manager in this case. The value of the case lies not in the decision, but rather in the case's presentation of a number of factors pertinent to an issue of this kind.

The manager's immediate consent to the employees' request, it could have been argued, would indicate his belief that the plan was fair to both the company and the employees, whereas a refusal would cause some employees to believe that the plan was against their interests. In the second place, the request was in accord with the jurisdiction of the committee as set forth in the text of the employee representation plan. An adverse decision would restrict the jurisdiction of the works committee by managerial order, and would lower the prestige of the employee representatives and the plan of representation.

The work-measurement and wage-payment plan was complicated, but the manager could not refuse to discuss it with the employees on that score. A plan of wage payment too complicated for the workmen to understand should not be installed. Finally, it might have been argued that a detailed explanation of the incentive plan would improve employee cooperation in the making of time studies. Inaccurate time studies, due to poor cooperation, discredit an incentive system. When poor cooperation is received from employees, men making time studies have to proceed slowly to avoid inaccuracies. Hence, a detailed explanation of the plan, in theory at least, would aid the time-study men and enable them to put the system into operation at an early date.

Whether these favorable results would have followed, had the employees' request been granted, depended in large measure upon whether the employees were open-minded upon the subject of the proposed system of work standards and wage calculation. The results of an explanation depend largely upon the frame of mind of the persons to whom it is addressed. Here it was likely that suspicion and fear were causing an opposition to the proposed system which could not have been allayed by an explanation through the channels of the representation plan.

It commonly happens that, when a new system of production control and time studies is introduced in a plant, the duties of some employees are changed. The Elmore Company's employees probably were aware of the likelihood of such shifts and feared uncertainty of earnings and uncertainty of their jobs. Because of the slender resources of employees of small skill, such adjustments might have in-

volved hardships for some of the workers. It may be doubted whether an explanation to the employee representatives would have allayed these fears on the part of the rank and file.

Semiskilled or unskilled men predominated in the "direct labor" group employed by the Elmore Company. The skilled labor, presumably of greater intelligence, was concentrated in the maintenance department, and it may be inferred that the work of that department was not to be standardized by the industrial engineers. The people most directly affected by the system were, in the main, people who had suffered from job insecurity. In judging the probable effects of the introduction of the new system, they would rely more on their experience than upon the words of the employer. Moreover, the employer's explanation would not have guaranteed earnings or jobs, but would have shown the method whereby some of the employees would be found to be superfluous.

Even had the manager looked favorably upon the employees' request, the question arises whether the employee representatives could have allayed suspicion or fear regarding the incentive plan. Had the employee representatives been convinced that the plan was proper and not likely to have adverse effects upon their constituents, it is questionable whether their faith would have been shared by many fellow employees. Rather, it is likely that the representatives would have been accused of double dealing or perhaps of blindness to a clever presentation by the management. On the other hand, had the employee representatives opposed the plan, the management would have had to delay its introduction until their opposition had been overcome, or the management would have had to override the council. Either alternative would have been undesirable.

Each representative had approximately 200 constituents. He could not have taken this issue up at length with many of them. In order to reach all the constituents, it probably would have been necessary to supplement the word-of-mouth explanation by printed material. The representatives no doubt would have preferred that printed material carry the burden of presenting such an unpleasant subject. It might be questioned whether the published material would have been studied in an open-minded fashion and thoroughly understood by the employees. Certainly, such material would have stirred up more discussion immediately after its issuance concerning the new incentive system than would have been occasioned at any one time by the system's gradual introduction in one department after another.

The union situation rendered it likely that a plan of this kind, presented specifically in printed documents, would have become a target to draw the fire of union officials. Workmen incapable of judging for

themselves, and swayed by fears natural under the circumstances, would have been influenced by the union leaders to oppose the incentive scheme. The general discussion of the plan occasioned by the printed material, together with the influence of the union leaders, might have unified the mass of employees against the new system.

The management's decision aimed to have the employees judge the new system not upon their fears of its effect but, rather, upon its results in the departments in which it first was installed.

It will be noted that the manager did not state that the works council never should discuss proposed managerial methods; he simply stated that the employee representatives should not have the right to bring up such matters for discussion without the management's consent. As previously, the management would solicit the advice of the employee representatives upon some proposed methods.

January, 1926

J. W. R.

CALLOWHILL COMPANY¹

MANUFACTURER—METAL PRODUCTS

EMPLOYEE REPRESENTATION—*Guaranty against Discrimination on Grounds of Unionism.* In 1919, while labor unions were trying to gain recognition by a metal manufacturing company, the company established a plan of employee representation which stated that no discrimination by employees or management should be made on grounds of unionism.

DISCIPLINE ENFORCEMENT—*Discharge of Employee Because of Irregular Activities during Working Hours.* A foreman in a metal manufacturing company discharged an employee on the alleged grounds of carrying on activities, specifically, union organizing, apart from his regular duties during working hours.

LABOR UNIONS—*Reemployment of Man Alleging Discharge on Grounds of Unionism.* In 1920 a unionist was discharged by a metal manufacturing company on the grounds that he carried on activities apart from his regular duties during working hours. The man appealed from his discharge, claiming discrimination on grounds of his union membership and his open hostility to the company's employee representation plan, which provided that no discrimination by employees or management should be made on grounds of unionism. The case was deadlocked in the joint committees which reviewed it and reached the manager for final decision. The manager reemployed the man in another department, but did not pay him for time lost while the case was pending.

LABOR UNIONS—*Prevention of Organizing Activities by Employees during Working Hours.* A company foreman discharged a prominent unionist for engaging in activities apart from his regular duties during working hours. The unionist appealed the discharge, alleging discrimination on grounds of union membership. Upon investigation it was found that he had carried on organizing activities during working hours. The manager reemployed the man and in the reemployment order stated that employees should not carry on any activities apart from regular duties during working hours.

(1920)

On May 19, 1919, a plan of employee representation was put into effect in the plant of the Callowhill Company, a manufacturer of metal products. The plan divided the works, in which 6,500 people were employed, into 10 districts. A shop committee was established in each district. From these district committees, appeals were to be carried to a reviewing committee whose jurisdic-

¹ Fictitious name.

tion covered the entire plant. In case of a deadlock in the reviewing committee, an issue was to be referred to a major executive for final decision. On each committee there were equal numbers of employee and company representatives.

One paragraph of the plan of representation stated, "There shall be no discrimination on grounds of unionism either by the employees or by the company officials." For several years prior to the time that the plan was adopted, repeated efforts had been made by local unions and their district headquarters to put through a strike vote in the company's plant in order to bring about the unionization of the work force. These efforts had failed. There was much bitter feeling among the union workers, and this feeling was reflected in the various joint committees after 1919. The labor members of the committees for the most part were union men. Employees' grievances were advanced in a dogged and antagonistic spirit in committee hearings, deadlocks were frequent, and a large proportion of cases were appealed to the reviewing committee. That committee, however, had been successful in disposing of all but two cases referred to it up until February, 1920. Those cases had been decided by the manager.

On February 14, 1920, a prominent union man named Farley was discharged at the order of his foreman on grounds of carrying on activities apart from regular duties during working hours. The specific acts mentioned were efforts to induce fellow workers to join a labor union. On February 15, Farley appealed his case to the local joint committee, and on February 20 his letter of appeal was read to that body by its secretary. The letter follows:

I wish to enter a protest against my being discharged on the complaint of working against the plan of representation and intimidation of new employees. I also desire to know whether there ever was a complaint made against me on the above charge, as I was unaware there was ever any complaint made about me.

Hoping that you will take this matter up at your next meeting, and grant me the privilege of a hearing, I remain,

Yours truly,
(Signed) JOHN J. FARLEY

It was voted unanimously that action on this communication be taken. The case was heard on March 2, but the committee was unable to arrive at a decision. Farley thereupon appealed to the reviewing committee. The case came up before the review-

ing committee on March 26. At that hearing Farley was asked to tell his story. He said:

No one ever accused me of threatening men in any way to make them join the union. I was not accused of anything like that, or of anything else for that matter, in the four years that I have been here. The first thing that I knew of any trouble was when I got my discharge slip. I went to Mr. Omstead, the foreman, and asked him what it meant. He said, "I'm sorry, but I have nothing to say." I went home then and asked my friends in the shop to see if they knew what was meant by working against the plan of representation and intimidating the employees. They didn't know any better than I.

As a matter of fact, the only trouble I ever had, if you can call it that, was the day when Mr. MacNeil and Mr. Lunt knocked down the bearings on the second floor. I said to them, "You fellows should stay on your job and keep away from the bearings, for you will get hell for knocking the bearings down." Then I heard they got grouchy about it, so I went over to Lunt and says, "Are you sore because I told you not to knock the bearings down? I didn't tell you anything there that hurt you. If you thought there was anything wrong with what I said, why didn't you say so? I thought I was within my rights to tell you to stay out of mischief."

Then Mr. Sweeney, the assistant foreman, came along. He asked, "What's the matter?" I told him Mr. Lunt and Mr. MacNeil were sore and explained it all. He said, "You have no business giving orders. I think it is a shame to see you hounding these two fellows." I believe he brought in something to the effect that I was hounding them because they would not join the union. That made me so mad that I almost hit him. I went right away to Mr. Omstead and told him, and the next day I began to take it up with the adjustment committee to define our rights in those cases where we saw employees doing what they should not do. Were we within our rights in telling them to stop?

That is all that happened. Five or six weeks after this, they handed me my discharge papers. Now all this that they said about my threatening men to make them join the union is not true. I asked them to put it up to them fair and square and let them decide. We don't want men in the union who are not glad to come in. We can get along without them.

After Farley had spoken, he was questioned by Stevenson, who acted as chairman, regarding what he had said to MacNeil, Lunt, and West. Farley denied having intimidated them in any way.

Stevenson then called upon Lunt to testify.

STEVENSON: When did you come to work for the company?

LUNT: The first day of winter—the 21st of October.

STEVENSON: How long had you been here before Farley approached you?

LUNT: Two days.

STEVENSON: Did you know him before?

LUNT: No sir, I did not.

STEVENSON: What did Mr. Farley say to you when he asked you to join the union?

LUNT: Just asked me to join, and I said I'd think it over.

STEVENSON: Did Mr. Farley say you could make more money if you joined?

LUNT: He did.

STEVENSON: Did he ever give you the understanding that he had power to make a man lose his job?

LUNT: Yes.

STEVENSON: Did he tell you that directly?

LUNT: Yes.

STEVENSON: How did he say that to you?

LUNT: He just said he had the power to fire men and that he had fired a Mr. Johnson, because Johnson was working against him.

STEVENSON: Farley gave you to understand that he was a foreman?

LUNT: Yes, a sort of foreman, a boss.

STEVENSON: Did he tell you more than once that you would have to join the union or get out?

LUNT: Yes.

STEVENSON: When was that?

LUNT: In January. MacNeil was with me. He asked us both.

STEVENSON: Was that during working hours?

LUNT: Yes.

STEVENSON: Were you at work the first time he asked you?

LUNT: Yes, I was.

Donnelly, workers' representative on the committee, then asked a few questions:

DONNELLY: You say you heard Mr. Farley tell Mr. MacNeil that he would have to get out if he did not join the union?

LUNT: Yes.

DONNELLY: Did he say he would fire Mr. MacNeil if he didn't join?

LUNT: He said he and the other boys would make it so hot for us that we would have to quit.

DONNELLY: Was Mr. Farley speaking to you or to Mr. MacNeil?

LUNT: To both.

DONNELLY: Were you at your work or did you go over to his job?

LUNT: I went over to his job that time.

DONNELLY: What did you go over to his job for?

LUNT: I started in checking a fellow right back of his bench and as I was going there he called me over. He asked me to join the union and said I could get more money if I would do so.

DONNELLY: That was all?

LUNT: I went over to MacNeil and told him what Farley told me about making more money and MacNeil and I went back again.

DONNELLY: Back where?

LUNT: To Farley's bench.

DONNELLY: What did you say then?

LUNT: We talked with him and he said he would bring in our application on Monday to fill out. He took our names on a piece of paper.

DONNELLY: Was that the end of it?

LUNT: No. After that we went back again.

DONNELLY: You went back again to Farley's job?

LUNT: Yes.

DONNELLY: That was three times you went to Farley?

LUNT: Twice.

DONNELLY: And MacNeil was with you both times?

LUNT: No, he was with him only once, the second time that he made the threat.

DONNELLY: What threat?

LUNT: That we would lose our jobs if we would not join the union.

DONNELLY: Didn't you say that MacNeil was with you when you first went there?

LUNT: When I first went there he asked me if I wanted to join the union, but I went over and asked MacNeil and we came back again, then he made the threat to MacNeil and me together.

DONNELLY: How long ago was that?

LUNT: Two months ago, I think.

DONNELLY: Your memory is very poor.

LUNT: It is.

DONNELLY: Now you said that you thought Mr. Farley was your boss. What made you think so?

LUNT: He was telling me what my work was and telling me to go to places and what to do and what not to do. What started the argument was, I was helping a fellow tap out bearings and MacNeil in sitting down bumped up against a pile of bearings with his back and tipped them over when he tried to get up.

DONNELLY: At the time you knocked over your bearings—

LUNT: I did not knock them over.

DONNELLY: At the time of the bearing incident did Mr. Sweeney come over to you?

LUNT: Mr. Sweeney and Mr. Farley both came.

DONNELLY: What did Mr. Sweeney say to you at that time?

LUNT: He did not say anything at all. After Farley told us to get away from the bearings and go back to work, while I was there at the order-of-work board, Mr. Sweeney came over to me and

wanted to know how long Farley had been bossing me and I said ever since I came in to start work.

DONNELLY: Did Mr. Sweeney say it was a shame to have Mr. Farley hound you or words to that effect?

LUNT: I do not remember.

The next man to testify was MacNeil. He was cross-examined by Stevenson:

STEVENSON: When did you come to work for the company?

MACNEIL: December 2.

STEVENSON: How long had you been here before Mr. Farley approached you and asked you to join the union?

MACNEIL: About a month.

STEVENSON: What did Mr. Farley say to you about joining?

MACNEIL: Mr. Farley asked me if I would like to join the union. He told me that the union would probably help me to get a better job and more pay. I told him I would think it over.

STEVENSON: Were you at your work?

MACNEIL: Yes.

STEVENSON: Did he tell you anything at that time about his trying to get 100% of the men on the job into the union?

MACNEIL: He told me he expected to have 100%, the entire plant, by April.

STEVENSON: And what were they going to do then?

MACNEIL: They were going to present their demands for more pay.

STEVENSON: And if they did not get their demands what were they going to do?

MACNEIL: They were going to strike.

STEVENSON: Did he intimate to you at that time that if you did not join the union you would lose your job?

MACNEIL: He told me that in the position I was in then that if I wanted anything, I could not very well get it unless I had some one to back me up and that if I joined the union they would back me up. He said he would ask me once to join the union and that I would either have to join the union or lose my job.

STEVENSON: Did you talk the matter over with Mr. Lunt?

MACNEIL: Yes.

STEVENSON: Wasn't Mr. Lunt with you at that time?

MACNEIL: He came up while I was there.

Donnelly then asked a few questions.

DONNELLY: At the time Mr. Farley told you that if you did not join the union you would probably lose your job, did he say that in the hearing of Mr. Lunt?

MACNEIL: No, sir.

DONNELLY: He said that to you alone?

MACNEIL: Yes.

DONNELLY: That was after Mr. Lunt had left you or before Mr. Lunt had left?

MACNEIL: It was after Mr. Lunt had left.

DONNELLY: But you gave him your application card before?

MACNEIL: I gave him no card.

DONNELLY: Well, your name and address then?

MACNEIL: No, sir.

DONNELLY: You gave him that before he made the threat?

MACNEIL: I—I think so.

DONNELLY: What would be his object in threatening you if you had already made application?

MACNEIL: I cannot say.

Then Stevenson called a third witness, West.

STEVENSON: You came to work for the Callowhill Company when?

WEST: The first of July last year.

STEVENSON: How long had you been here before Mr. Farley had asked you to join the union?

WEST: Just a few weeks.

STEVENSON: About one or two or three?

WEST: About a couple of weeks.

STEVENSON: How did Mr. Farley approach you when he asked you to join the union?

WEST: He came to me and asked me if I wanted to become a member of the union. I did not seem very much pleased about doing so and he saw that and told me that if I did not join the union that they were soon going out on a strike for a closed shop and that if they succeeded I would lose my job.

STEVENSON: Did you tell Mr. Farley the reason why you did not care to join the union?

WEST: I gave him no reason.

STEVENSON: Did Mr. Farley talk to you again?

WEST: The second time I went to him after I decided to join to avoid trouble.

STEVENSON: Did you think his authority was that of an assistant foreman or leading hand?

WEST: I do not know, he seemed to assume that authority.

STEVENSON: Did Mr. Farley speak to you about joining the union during working hours?

WEST: Yes.

STEVENSON: Do you understand that other men in the same department joined the union because they had been told they could not hold their jobs unless they did?

WEST: Well, three other men; two in the finishing department and one assembler that I know of; there may be others but I do not know anything about them.

After West had given his testimony, Farley again took the stand. He was questioned by Donnelly.

DONNELLY: Have you any statement you would like to make?

FARLEY: I deny very much that I threatened any employee or discriminated against them in any way, shape, or manner.

DONNELLY: Did you approach these three witnesses during the working hours?

FARLEY: I deny that, except that I talked to Mr. Lunt during the lunch hour right after I had eaten my dinner at noon.

DONNELLY: Do you consider their statements untrue in that respect and regarding threats they said you made to them?

FARLEY: I do so.

DONNELLY: Did you ever have any row with any one of these fellows?

FARLEY: No, I thought they were good friends.

DONNELLY: Did you ever have any trouble with Mr. Sweeney?

FARLEY: We used to get along all right until he came back from his vacation when he showed considerable antagonism. He always used to praise me for the way I cooperated and saw that the new men learned the ropes, but when he came back from his vacation he started to get after me. That's why I got so mad when he bawled me out the time I told Lunt and MacNeil to get away from the bearings.

This concluded the testimony before the reviewing committee. In the discussion that followed, the employee members argued that the inconsistencies between the testimony of Lunt and MacNeil proved that they were not telling the truth. The management members maintained that the inconsistencies were negligible and that all Farley had done to show his innocence was to issue a blanket denial.

The management members then moved as follows: "That the discharge of Mr. Farley was for cause and was justified." The vote was equally divided on this motion. The employees' members in turn moved: "That Mr. Farley was unjustly discharged." The vote was equally divided on this motion. The case, therefore, was referred to the general manager for final decision.

After further investigation and interviews, the manager issued the following memorandum on March 30:

Case of John J. Farley:

Three witnesses testified that Farley caused them to believe that un-

less they joined a labor union they would be forced directly or indirectly by union influence to leave the company's employ. Farley's reply to these charges was a general denial.

The case was presented first in the district committee, the issue there deadlocked, and was appealed to the reviewing committee. Again the issue was deadlocked and it now is in this office according to due process for decision.

In considering the evidence I found that it was desirable to meet the parties in order that I might form my own judgment as to the relative weights that might be given to that evidence. In view of this being the first case coming under the plan of representation of intimidation of employees and also in view of the delay which has occurred, due to unavoidable causes, in my consideration of the case I have decided to restore Farley to the employment of the company, but in another department and with loss of pay while out. This to take effect on next Monday morning.

Attention is called to the existence in the plan of representation of a special paragraph prohibiting discrimination, which indicates the importance attached to it.

Farley's testimony shows that he was engaged in union activities in the plant during working hours, which is entirely out of order. Employees are paid to perform definite work and when on duty must confine their activities to such work. They are not to engage in any other activities during working hours.

COMMENTARY: In view of the efforts that had been made to unionize the working force of the Callowhill Company, this case potentially had far-reaching results. From the company's standpoint, it was highly important that Farley should not be able to pose as a martyr to the union cause. The management also would have made a mistake had it taken action that could have been interpreted by the employees as an effort to force a shop committee plan upon them in lieu of unionism. The employees would have reasoned that if the management feared unionism they would gain by it.

The testimony of the witnesses was vague and inconsistent. The witnesses probably were embarrassed because they were accusing an aggressive union leader before a committee whose employee members were union men. The foreman at whose order Farley was discharged did not speak in his own behalf. He may have felt no obligation to put forth his side of the story or he may have wished to avoid an argument with Farley. Since this case arose approximately one year after the employee representation plan was established, the foremen in the plant probably were not used to defending in the works council any of their actions which were criticized there. This condition would correct itself, no doubt, after the foremen had met several reversals in committee hearings because they failed to defend their actions adequately.

Farley seems to have been an aggressive, domineering individual who sought authority and assumed prerogatives beyond his scope of duty. No doubt he was talkative and made statements which he could not support. Farley testified that his anger was aroused upon one occasion when his sub-foreman reproved him for intimidating employees; it may be inferred that the foreman's charge struck home. Farley's statement that the union did not wish members who had to be coerced to join it, certainly was inconsistent with his alleged behavior in urging employees to apply for membership in the organization.

The case as reported shows the need for the manager's endeavor to obtain further knowledge of the characters of the people involved in the controversy. As the evidence offered was conflicting, he found it necessary to become acquainted with the people offering the evidence in order to attach relative weights to their versions of Farley's conduct.

In his statement, Farley protested his innocence of any infraction of shop rules with one exception: he admitted that he went out of his way and perhaps exceeded his authority in reprimanding two fellow workers for carelessness. In his letter, Farley asserted that he was discharged because it was thought that he had spoken against the plan of employee representation and had attempted to coerce new employees into joining the labor union. Neither the foremen nor the manager of the company in the reported testimony took issue with this interpretation of the discharge, nor is it reported that Farley was warned that a continuance of his unionizing activities in the plant would result in discharge.

Whatever the personal motives of the foreman who ordered Farley's discharge, it is clear that one of the management representatives in the hearing tried to establish only the fact that Farley had been engaged in activities apart from his regular duties during working hours. Persistent conduct of that character, no matter what the specific nature of the extraneous activity, would have been a proper ground for discharge.

It was not proved that Farley was discharged for "working against the plan of representation." Such an act certainly would have diminished employee favor for the shop committee arrangement. Employee representation cannot function to best advantage unless it is supported voluntarily by both employer and employees, and any coercive tactics on the part of the employer to obtain employee support for it are likely to prejudice employees against the relationship and to destroy its usefulness. Nevertheless, Farley was able to put this interpretation upon his discharge. His assertions that his unionizing activities and his opposition to the plan of employee representation were the grounds for his discharge apparently were believed by the employee committeemen. This would indicate that the management at the time did not

enjoy the confidence of the employees. The assertions probably would have been believed also by many other employees if Farley's discharge had been allowed to stand. Those employees would have accused the company of discriminating against union employees in violation of the promise contained in the text of the plan of representation. Because Farley's discharge was subject to this interpretation, and because of the employees' suspicions of the company, it was expedient for the manager to reverse the discharge, whatever the degree of truth in Farley's assertions.

The manager, in reemploying Farley, had to place him in a department other than the one in which he previously had worked. Had the manager returned Farley to his former position, friction would have arisen between Farley, his employee accusers, and the foreman, and this friction would have harmed morale in the department.

May, 1926

J. W. R.

CHAMPLAIN STEEL COMPANY¹

MANUFACTURER—IRON AND STEEL

WAGES—*Adjustments in Earnings for Employees Changed from 10-Hour to 8-Hour Working Day.* In 1918 the basic workday of some types of employees of a steel company was changed from 10 hours to 8 hours without any increase of wages except that after 8 hours, overtime rates applied. In May, 1919, a period of slack demand for steel products, those employees, through their employee representatives, asked for 9 hours' pay for 8 hours' work and, in addition, for a flat raise of $16\frac{2}{3}\%$ in wage rates. They founded the request on comparisons with the increased hourly wages of 12-hour men who had likewise been placed on the 8-hour day payment basis, both in the same plant and throughout the industry. After numerous hearings provided for by the company's employee representation plan, it was decided that the requests should be granted, except that the flat increase was fixed at 10%.

WORKING CONDITIONS—*Equalization of Hours of Work by Extending 8-Hour Day in Plant.* In 1917 and 1918 a steel company gradually had substituted three 8-hour shifts for the two 12-hour shifts previously effective in many of its departments. Increases in hourly earnings helped to offset the loss of income otherwise imposed by that change. Departments doing other types of work and working 10 hours, although granted somewhat increased daily wages for a basic 8-hour day, had to continue working 10 hours in order to obtain the wage increase. In 1919, representatives of the 10-hour employees asked for an actual 8-hour day with wage increases proportioned to those already granted the former 12-hour men. The representatives gave assurances that the men would do in 8 hours as much as they had done in 10. The company decided to grant the request for the 8-hour day, although at a wage increase proportioned to that granted for similar work in the industry.

(1919)

In May, 1919, when the employee representation plan of the Champlain Steel Company had been in force less than three months, the representatives of the mechanical, maintenance, and yard employees, the three groups in the plant which were working ten hours daily, submitted the following request for consideration:

Wages in our departments to be increased at once as follows: $12\frac{1}{2}\%$ for eight-hour basic day with time and one-half for overtime; in addition, a wage increase of $16\frac{2}{3}\%$.

¹ Fictitious name.

In brief, the employees asked for an actual working day of 8 hours instead of 10 hours; for 9 hours' pay, at the existing rates, for the 8 hours' work; for time and one-half for overtime; and, in addition, for a $16\frac{2}{3}\%$ increase in wage rates.

The Champlain Steel Company was a self-contained steel works with blast furnaces for making pig iron; Bessemer and open-hearth furnaces for making steel; blooming mills for making steel ingots; and finishing mills for producing bars and shapes.

The Champlain Steel Company's plant was conducted as an open shop. Although a number of the employees were known to be unionists, no union was officially recognized by the company's executives, nor were the unions actively endeavoring to secure recognition from the company. A large number of the men in the mechanical and maintenance departments were skilled mechanics who had been in the company's employ for many years; the yard crew was composed chiefly of unskilled men. These three groups made up approximately 30% of the total number of men employed by the company. No strike was anticipated on this issue even if the management refused the employees' request in all its phases.

Until 1917 the company's blast furnaces had been manned and the various operations of steel making performed by two consecutive shifts of men, each shift lasting 12 hours a day. Men of these shifts were referred to as "turn men." The mechanical and maintenance employees and the yard laborers worked a single 10-hour shift each day. For the remaining 14 hours of each day the men in the mechanical, maintenance, and yard forces ordinarily were not in the plant. Just before and during the World War, the work of the turn men gradually was changed from 2 shifts of 12 hours each to 3 shifts of 8 hours each. The mechanical, maintenance, and yard crews continued to work 10 hours daily.

Six general wage increases, each of the first five amounting to 10% of the previous wage rate, and the last to 15%, had been made by the Champlain Steel Company since the beginning of 1916. The dates of the increases were: February 1, 1916; May 1, 1916; December 15, 1916; May 1, 1917; October 1, 1917; and April 15, 1918.

Although the transition of the turn men from 12-hour to 8-hour shifts was gradual, the change had included a substantial number of the men by April, 1918. The company, in making this change

in hours, was aware that wages would be cut one-third for the men involved if no adjustment was made in their earnings per hour. The company decided, therefore, that each turn man whose work was reduced to 8 hours daily should receive for his 8 hours of work wages equivalent to 10 hours' pay at his rate on the 12-hour basis.

On August 1, 1918, there was a further general wage increase of 10% in the iron and steel industry, which was also granted by the Champlain Steel Company. Late in September, 1918, the United States Steel Corporation announced the adoption of the 8-hour basic day with time and one-half for overtime. Shortly after this change was announced, other iron and steel mills, with few exceptions, stated that they would follow the lead of the United States Steel Corporation. That company had been paying common laborers 42 cents an hour, and after October 1 these men were to receive \$3.36 for 8 hours, \$4.62 for 10 hours, and \$5.88 for 12 hours.

Thus the "three divisions," for 10 hours' work, received 11 hours' pay at the old rate; and the turn men, for 12 hours' work, received 14 hours' pay at the old rate. In effect, therefore, this announcement meant a 10% increase in earnings per day for workmen employed 10 hours a day and a $16\frac{2}{3}\%$ increase in daily earnings for men working 12 hours a day. In view of the existing scarcity of labor, only a few steel companies limited the work of their turn men to 8 hours. In the industry generally the "basic 8-hour day" resulted in a wage increase but not in a lessening of hours worked.

The Champlain Steel Company, which already had inaugurated the 8-hour day in its iron- and steel-making departments, made an adjustment on October 1, 1918, when the 8-hour basic day was accepted generally, whereby men employed in those departments received a wage increase of $16\frac{2}{3}\%$. This increase was stated to be in part for the purpose of equalizing the earnings of the company's iron- and steel-making employees with the earnings of men doing similar work for other companies but actually working 12 hours a day.

The mechanical, maintenance, and yard departments, which still were working 10 hours daily, were granted the basic 8-hour day with time and one-half for overtime. Although that allowance constituted for those employees an increase of 10% over their

former daily earnings, the increase was obtainable only if the men worked 10 hours. The turn men, however, for 8 hours' actual work received 10 hours' pay, or a 25% advance in hourly earnings, and their base rates also had been increased 16 2/3%. The latter increase had not applied to the mechanical, maintenance, and yard employees.

It was on the basis of these adjustments that the men in the mechanical, maintenance, and yard departments made their demands in May, 1919, asserting that an injustice was being done them in view of the wage increases that had been granted the men working only 8 hours in other departments.

In the closing weeks of 1918, war work still was an important factor in steel-plant operations. The policy of the United States Government was to make gradual readjustments in order to avoid causing unemployment in so far as possible. The Allied governments, however, canceled their contracts rapidly.

Iron and steel manufacturers made price reductions in the middle of December, 1918, ranging from \$4 to \$6 a ton on finished material. The United States War Industries Board, which had fixed steel prices during a part of the war period, ceased to function on December 31, 1918. There was an open market for iron and steel products after that date.

The iron and steel market was uncertain during the early weeks of 1919. Consumers hoped for substantial price reductions. In trade journals it was asserted that buyers were hesitant and that a period of unemployment in the industry seemed probable.

In February, 1919, Redfield, Secretary of the Department of Commerce, outlined a plan for price stabilization, and later the Industrial Board of the Department of Commerce was created in pursuance of this plan. One of the first conferences that this board held was with a committee of steel manufacturers on March 19. On the afternoon of March 20, the Industrial Board announced price reductions ranging from \$4.25 a ton on pig iron and \$5 a ton on steel billets to \$10 a ton on standard rails, as agreed in the conference. Sponsors of the conference hoped that these reductions would lead users to place orders which had been postponed pending the outcome of the conference. The quantity of the products ordered at the "Board prices," however, was small.

Early in April, the Railroad Administration refused to pay the

prices for rails that had been announced on March 20. These were \$45 a ton for Bessemer and \$47 a ton for open-hearth rails. The Railroad Administration endeavored to obtain lower prices, but the steel manufacturers replied that wages would have to be reduced before the "Board prices" could be lowered. The disagreement between the Railroad Administration and the Industrial Board lasted several weeks. On May 9, the members of the Industrial Board resigned, and all governmental efforts to stabilize iron and steel prices were abandoned.

At that time approximately 1,000,000 tons of steel were ordered by several automobile companies, and signs of slight improvement appeared in the steel trade.

One reviewer outlined the situation during the early months of 1919 as follows:²

The general reduction in prices effective at the first of the year was followed by a readjustment of old contracts to the new levels, but these measures, taken voluntarily by the producers to inculcate confidence in the market, did not stimulate buying. On the contrary, consumers continued exceedingly cautious and when they did buy, demanded guaranties against declines. Their timidity was encouraged by disquieting reports of growing unemployment emanating from the large industrial centers, which added strength to the belief that the country was entering a period of depression.

... Interest in the market seemed on the verge of a revival when the government's plan of price stabilization caused consumers to resume a waiting attitude. When the so-called Redfield prices were finally announced on March 21, it was felt that the final obstacle in the way of business activity had been overcome. A new element of uncertainty developed, however, when the Railroad Administration refused to buy at the new prices, despite the fact that the principal reason for their creation was to make way for large Government purchases. The controversy between the Director-General of Railroads and the head of the Industrial Board, the sponsor of the stabilization plan, continued for several weeks, finally resulting in the resignation of the latter and the inauguration of an unrestricted market.... The Railroad Administration, notwithstanding its strenuous objections to the plan of March 21, found no mills willing to make concessions and finally, towards the end of May, purchased 200,000 tons of rails, under protest, at the Industrial Board prices.

... Despite the slow recovery of confidence in the market, the prices of most products remained firm.

On May 6, 1919, the president of the Youngstown Sheet and

² *Iron Age*, January 1, 1920, p. 46.

Tube Company said that he was opposed to any reduction in wages at that time because the workers were suffering the equivalent of a wage reduction by reason of intermittent employment. At that time *Iron Age* reported 212 active furnaces in contrast with 372 active furnaces on September 1, 1918, the peak record. Figures showing production and prices during 1918 and the first part of 1919 are given in Exhibit 1.

EXHIBIT 1

PRODUCTION AND PRICES OF PIG IRON AND STEEL, JANUARY,
1918, TO APRIL, 1919

DATE	PRODUCTION, IN MILLION GROSS TONS		PRICES, † PER GROSS TON	
	Pig Iron*	Steel†	Bessemer Pig Iron, Pittsburgh	Bessemer Steel Billet, Pittsburgh
1918				
January	2.40	1.76	\$37.25	\$47.50
February	2.32	1.62	37.25	47.50
March	3.21	2.35	37.25	47.50
April	3.27	2.41	36.15	47.50
May	3.54	2.51	36.15	47.50
June	3.32	2.41	36.38	47.50
July	3.41	2.46	36.60	47.50
August	3.38	2.51	36.60	47.50
September	3.41	2.51	36.60	47.50
October	3.48	2.59	36.60	47.50
November	3.35	2.50	36.60	47.50
December	3.43	2.52	36.60	45.50
1919				
January	3.31	2.43	33.60	43.50
February	2.95	2.21	33.60	43.50
March	3.09	2.28	32.54	42.25
April	2.49	1.84	29.35	38.50

*Standard Daily Trade Service, May 26, 1919, p. 412.

†*Iron Age*, May 8, 1919, p. 1248.

‡*Ibid.*, January 1, 1920, p. 52.

The following discussion took place in the shop committee of the Champlain Steel Company in May, 1919, when the demands of the mechanical, maintenance, and yard employees were presented formally.

KNIGHT (E)³: I would like the opportunity to explain briefly some reasons why this request is made to the company.

In making our request for a 12½% increase—really 9 hours' pay at the present rate for an 8-hour day—time and one-half for overtime and, in addition, an increase of 16⅔%, we are guided by past and more recent developments in industry. Some time ago

³ (E) signifies employee representative; (M) signifies management representative.

the steel industry adopted the basic 8-hour day. On October 1, 1918, the Champlain Steel Company accepted the 8-hour proposition. We were working with heads down, to the maximum of our ability; satisfied with what we got, watching for the great sign of victory on the other side—knowing it was to come. Finally it did come and the pressure was removed.

We realized later on something was gone; we looked at our pay envelopes; they didn't look as healthy as they should. They were underfed.

When arrangements were being made at this plant for the 8-hour day, and the gradual elimination of 12-hour shifts a year ago,⁴ some men were granted flat increases including 2 hours' extra pay, on top of the raises then taking place about every 6 months. Later they were granted a flat increase of $16\frac{2}{3}\%$ in addition.⁵

The mechanical department and others in the divisions we represent felt that they lost something. We had gone on a basic 8-hour proposition, and in order to get advantage from the 8-hour adjustment we had to work overtime. We had to work overtime or we got nothing in the way of increase. We talked the matter over and one fellow was bold enough to say, "It was a dose of chloroform." That was the sentiment. The difference between the settlements with the mechanical department and with the men on turn was too marked—no comparison at all. There should be no reason why all men are not treated equal in this affair.

CHAIRMAN: Mr. Andrews, you also represent men making these demands; what have you to say?

ANDREWS (E): I can add nothing to what Mr. Knight has said, and I do not wish to take up any time unnecessarily.

CHAIRMAN: Are there any other arguments to be made in favor of this proposition?

(Pause)

Mr. Wilson, do you care to say anything?

WILSON (Supt. of Plant): I talked to the representatives who were bringing forward this proposal a month or so ago, and I can add nothing to what I said then. During the war period we made the same percentage increases that were made in other steel plants in this district and throughout the country. These 10-hour men in the maintenance and yard departments have been receiving these increases.

In the case of men on turn, whose shifts were reduced from 12 to 8 hours, the company felt that an adjustment was due them. So we went 50-50 on the proposition; the men, for 8 hours, received 10 hours' pay at the old rate. When the 8-hour basic day was put into effect generally in the industry the first of last Octo-

⁴ April, 1918—Adjustment in wages by Champlain Steel Company when daily working hours of turn men were reduced from twelve to eight.

⁵ October 1, 1918—Adjustment in wages made by Champlain Steel Company when the steel industry adopted the *basic* eight-hour day.

ber the question came up—what would be the fair thing to do for the turn men working 8 hours. We felt that they should have an increase of $16\frac{2}{3}\%$, since men working the 12-hour turn would, under the basic day arrangement, receive 14 hours' pay for 12 hours' work, or $\frac{1}{6}$ increase.

Any fellows who are qualified and want to go on 8-hour turn—if they think we did so much for the 8-hour men—can put in their applications with the employment office. The men understand that they have this privilege, and yet there wasn't one that made such a request. This would indicate that they really didn't feel that work and wages paid on 8-hour turns were more desirable than their jobs.

Take the demand made and see how it works out. A machinist getting 70 cents an hour would be increased as follows:

Nine hours' pay for eight hours' work.....	\$6.30
In addition, $16\frac{2}{3}\%$ increase	<u>1.05</u>
Pay for eight hours.....	\$7.35
Rate per hour	$.91\frac{7}{8}$

I do not see how we can justify such hourly rates. I understand that the ——— Steel Company's highest rate for machinists is 76 cents. You fellows know how we have been running recently—piling up pig iron and billets simply to keep men employed. It isn't good business, and in view of such a business situation how can we think of paying a machinist 90 cents to \$1 an hour and continue to compete with other steel plants? The union demand is 85 cents and it isn't established. The union scale has been 65 cents, and they now propose to make it 85 cents. I do not see how we can pay way above the union rate and continue to compete with other plants in the industry. That's all I have to say.

KNIGHT (E): If other departments can be increased, why can't our department be increased to an equal extent? By arrangements made with turn departments, men there are making slightly under \$1.02 an hour. They are making \$8.15 for 8 hours; before, they were making \$8.40 for 12 hours. There is an increase in these men's hourly rate of 32 cents, whereas we ask for an increase of 21 cents an hour or 11 cents less an hour.

WILSON (M): That adjustment was made when the men went from 12 hours to an 8-hour basis. The 12-hour turn was not a human way of working, and in order to change but still leave the earnings of the men high enough to meet the cost of living, and taking into consideration what these men could get in other plants if they wanted to work 12 hours, we felt that the adjustment made was fair.

KNIGHT (E): When you change a 12-hour department to 8-hour shifts you are thereby adding one-third more men. Consider what that must cost you. In our case I have the assurance of the different men in my division that if this request can be granted they will do

their very utmost to accomplish in 8 hours the same work they are now accomplishing in 10 hours. You will not have to hire more men on account of the shorter working day.

WILSON (M): I'm mighty glad to hear such an expression, and personally I am in favor of an 8-hour day throughout the whole works, yet I cannot see how we can get on to that basis by accepting this proposal which results in hourly rates above those of other industries around us, including union shops.

KNIGHT (E): This proposal will cost you less in the long run. If you can get the output for less money, the hourly rates cut no figure.

On the average your departments would not cost you any more, and the average wage would not come up to the standard union scale. We have not got flat rates here, although the top rates paid are up to the rate proposed by the union organization right now.

WILSON (M): Another thing; remember that employment here is more continuous than is the case with most union-controlled work. For instance, carpenters are off rainy days; here carpenters are employed steadily. No doubt we could reduce our costs a great deal if we could dispense with men whenever orders start to fall off.

KNIGHT (E): Most union shops pay double time for Saturday afternoon and Sundays.

CHAIRMAN: Some pay double time, others pay time and a half. The minimum standard is 80 cents effective the first of this month; it was 65 cents before. The 8-hour basic day was our last increase.

KNIGHT (E): I do not even admit that it was an increase. We are practically 8-hour men at this plant. If we put on our coats at the end of 8 hours, 8 hours' pay would be all that we would get and the adjustment of last October is gone if we do not work overtime.

CHAIRMAN: Don't you prefer a steady day job?

KNIGHT (E): Speaking from my standpoint, I have the honor of working with a department that has a union organization. We work at the direction of our superiors any hour of the day or night. We get the same regular pay for night as day.

WILSON (M): That doesn't answer the question. Any one would prefer to do day work. Suppose we pay \$1 an hour and the union rates for the same men are 80 cents an hour—can you prove to me that our men do one-quarter more work than union machinists and therefore are entitled to one-quarter more pay?

KNIGHT (E): If our request is granted, we will show you that the work is done for 90 cents that you used to pay \$1 for. If you get for 9 hours' pay the same work that cost you 10 hours' wages at the same rate, you ought to be glad to make the deal since your liability is decreased one-fifth. You have a man on your hands one-fifth less time.

WILSON (M): Why should we not have the maximum efficiency of men

we have got here at the present rates of wages? They compare very favorably with the rates paid in other industries. I don't see why any man should be doing only 8 hours' work in 10 hours.

CHAIRMAN: You are asking the company to do something that the union doesn't demand.

KNIGHT (E): We are asking for a rate that should have been established some time ago.

CHAIRMAN: Our neighbors in the steel business have just as efficient a method of operating as we have. If we have parallel efficiency and the same wages, then we can meet competition, otherwise we cannot.

KNIGHT (E): We assure you that if you grant us the 8-hour day we are willing to give the assurance about not having to hire more men to do our work.

WILSON (M): That is going pretty strong. That seems to me as though the men were not working as efficiently as they should work in 10 hours.

KNIGHT (E): When a man starts out on a 10-hour gait he doesn't begin as briskly as he does starting out on an 8-hour gait.

MATTERN (M): We have not been able to get a pipe fitter in the blast furnace department since going on the 8-hour shift there. We tried to persuade pipe fitters in the maintenance department to come with us. Why didn't the maintenance men want to work on the 8-hour jobs?

LEWIS (M): We scoured the shops for millwrights, and the competent men we had refused to take 8-hour jobs in preference to their work in the maintenance department. This is evidence in itself that 8-hour jobs do not suit them. It shows that we did not do too much in the adjustment for the turn men when we adopted the 8-hour shift.

May I ask Mr. Andrews, who represents the machinists and the blacksmiths, whether a majority of the men in his division are making this demand, or to tell us what percentage of the men in the division are behind this movement?

ANDREWS (E): All men in the division represented by Mr. Knight and myself attended a meeting yesterday, and they were all in favor of this demand.

BARTON (M): How many of the men employed were in the meeting?

ANDREWS (E): Ninety-five per cent

WILSON (M): If I were working in the shop, I would be for it too, but the question for this council, which represents the whole plant, is whether any injustice would be done if this demand were granted.

ANDREWS (E): I do not know why men in these divisions do not want to take 8-hour shift jobs.

CHARLES (M): There was a committee of four machinists in my office the other day who wanted to tell me that they were not in on

this deal. They have more sense than to ask for this increase. I gave them time for a meeting.

ANDREWS (E): The men from the machine shop told me that they had seen Mr. Charles on this matter and that he had given them some time to hold a meeting, and I agreed that it was the proper way to go about making this demand. I opened the meeting which was held yesterday by saying that I was going with the men, and we put it up to a vote.

CHAIRMAN: How did you take that vote?

ANDREWS (E): We told the men who were in favor to stand to the right of the shop and those opposed to stand on the left. The vote showed the men to be in favor of the proposition.

LEWIS (M): The committee that called on Mr. Charles made it clear that there was a serious misunderstanding. Before they left they said they would be willing to go on record before the council and explain their stand on the question.

CHAIRMAN: Why didn't you take a secret ballot?

WILSON (M): The question is whether the men in the maintenance and yard crews feel that they are suffering an injustice. I might vote in favor of such a demand even though I was not getting any injustice.

ANDREWS (E): The men claim that they must do more than 8 hours' work in order to get any extra pay under the October adjustment. They are still working for the old rate.

WILSON (M): We have done just as much for the single-shift men as have other plants.

KNIGHT (E): I make the motion that the employees of the divisions of maintenance and shop be granted an 8-hour workday, 9 hours' pay, time and a half for overtime, and in addition an increase of $16\frac{2}{3}\%$ effective immediately.

ANDREWS (E): I second the motion.

CHAIRMAN: Is there anything further to be said on this matter?

After a brief discussion the matter was put to a vote with the following results:

Management representatives in favor.....	0
Management representatives not in favor.....	15
Employee representatives in favor.....	9
Employee representatives not in favor.....	6

The motion, not having been passed by a majority of both the management and the employee groups, was declared lost by the chairman, who suggested that a compromise measure might be in order, or that either side could refer the matter to the company's president. Neither of the representatives active in introducing this motion made any statement, and the assembly adjourned.

Several days after the meeting just described, an informal committee, representing a portion of the men in the mechanical, maintenance, and yard departments, called on the secretary of the joint assembly and requested permission to appear before the assembly and state its position on the request for increased wages made by Knight and Andrews. The secretary obtained the signatures of a majority of the management and employee representatives in the assembly to a call for a special meeting in which discussion of that wage demand was to be resumed. A week after the first meeting this special meeting convened. The following is a transcript of the discussion that took place.

CHAIRMAN: Gentlemen, this is a special meeting to resume consideration of the wage demand discussed at our last regular meeting. There is a committee that desires to be heard, and this committee awaits our invitation to speak at this meeting. Is there any objection to inviting this committee before us at this time? It is composed of Messrs. Klinesmith, Gray, Shelkoff, Wolowski, Paul, and Golden, representing machinists, boilermakers, and structural shop.

There was no objection and the committee entered.

CHAIRMAN: Mr. Klinesmith, will you take the floor?

KLINESMITH (Committeeman): We ask a withdrawal of the request for an 8-hour day, 9 hours' pay, time and one-half for overtime, and in addition $16\frac{2}{3}\%$ increase. The majority of the machinists were opposed to this affair. It was a matter of only a day or two after the plan of employee representation was adopted by the company that this demand was brought to light. We do not think this matter has had thorough consideration in the time it has been before you and we ask for reconsideration and, as well, withdrawal.

We had a meeting in the pipe shop; there were only a few men there. It was the few who put this thing through; it wasn't the majority of the thinking men of the department. When it was passed by us, nobody seemed to know anything about the affair until three or four days afterward. The machine shop got together and wanted to know whether or not we wanted this thing.

It had not been put up in the proper way. We went before the master mechanic and asked for our department to withdraw from the affair. We didn't believe it was the right time to make such a demand. He stated it was hardly possible to withdraw and asked us to get together and hold a vote. The meeting was held in the pipe shop, and a vote was taken on the proposal. All those in favor went to one side, and those opposed went to the other side of the shop. I thought this was unsatisfactory and a request was made that a secret ballot be taken on the matter. We obtained permission and held the ballot. The result did not tally with the

public expression. Then we came before the secretary of this assembly and asked to be heard.

CHAIRMAN: Mr. Gray, may we hear from you?

GRAY (Committeeman): During the war such a request as this would have been viewed as a very unpatriotic affair. When this matter was considered first, things were different than they are now. Business seems to be in a balance. Many of the plants here are laying off men, and some work three or four days a week. This company has employed only returned soldiers and sailors since the armistice. Recently we have had talk of reducing the amount of money asked for. At a meeting of the men this was discussed and then on the spur of the moment the $16\frac{2}{3}\%$ increase was brought up and voted for almost unanimously. Many of the men had not taken time to consider the subject. The secret ballot showed no agreement. The fact that there were a dozen more ballots in the box than men who voted shows something unfair. Opinion seems to be divided three ways. One class seems to think that if they vote against the demand they are taking something from their fellow workmen; a second group regard the time not proper and amount of the demand unreasonable; the third group drift with the tide.

Then there's another point to consider. We must have men of all trades on all jobs at all times in case of breakdown. There's extra hours to be filled in by extra workmen.

The present rates paid here are about the highest in this district. Although some of them are not quite up to standard rates, where, in this district will you find higher ones? There are hundreds of workmen willing to work for this company at these rates.

CHAIRMAN: Mr. Shelkoff, let us hear from you.

SHELKOFF (Committeeman): The men of my department as a unit seem to be against this proposition. The time is not ripe. We realize that the cost of living is going up instead of down. Ask any man if he is in favor of a $16\frac{2}{3}\%$ increase, and he is only too glad to say: "Sure, fellows, go ahead with it." That's the proposition put up before the men in these divisions.

We feel that we do not like to discourage men in other departments, but we feel that this demand should be modified. As far as the men I speak for are concerned, we would like to withdraw this request until times warrant it.

CHAIRMAN: Are there any questions that any members of this body wish to ask the committee before us?

ANDREWS (E): I would like to ask the committee whether they represent the majority of their divisions?

GRAY (Committeeman): We represent 99% in favor of withdrawal and 1% against. This was done on the spur of the moment. On the secret ballot, opinion was entirely split. A slight majority was in favor of putting it through. There were 11 more votes cast

than voters. The ballot showed 70 for putting it through and 55 against it.

CHAIRMAN: How many men have you talked to on this? What is your best guess as to percentage of men in the shop whom you feel you now represent?

GRAY (Committeeman): All of them. Our shop is almost solid against putting this through at the present time; there might be a few exceptions.

ANDREWS (E): In regard to the secret ballot, how many ballots were there?

CHAIRMAN: This body was told there were 144 ballots in the box. The proposition was lost 55 to 70. There were 144 votes and only 125 accounted for. Did the tellers make a signed report?

ANDREWS (E): They did not.

CHAIRMAN: This matter was left in the employees' hands, but probably was not so well organized as it would have been if it had been conducted by the plant assembly. The important thing for us is not the detail of this ballot, but to judge the substance of the remarks of this committee.

ANDREWS (E): We thought it best to make the ballots as small as possible to eliminate any writing. Some of the men were not very expert in writing. In one square we had "Against withdrawal," and in the other square we had "For withdrawal." The men were to put a cross in whichever square they were for.

CHAIRMAN: Any other question to be asked? (Pause). Any other statements which the committee would like to make?

KLINESMITH (Committeeman): I went through six different departments yesterday afternoon and had quite a talk with some of the men. One fellow said he did not think this much of a time to put a thing like this through. He said, "You know how the gang is; if I came out and voted, you know how they would treat me." In two other shops several of the men made the same statements. So, I believe that a lot of these men vote with the bunch whether they are in favor of a thing or not.

CHAIRMAN: What is your frank opinion as to the number of men in your department who have the sentiment you just expressed?

KLINESMITH (Committeeman): I figure in our own shop 4 out of 64 in favor of the thing standing as it is, 12 would be opposed; a little talking one way or another would swing them. I talked to 5 or 6 in the structural shop, who think the time is not ripe. There are 4 out of 20 at least among the blacksmiths who are not in favor of it.

GRAY (Committeeman): In my department I find that those who are for this increase do not seem to take into consideration what it means. Apprentices look at it as more money for them. In other cases, men are really illiterate. They do not consider anything.

Naturally, they are for the proposition, but I will say that about half the men I talked to favor the increase.

SHELKOFF (Committeeman): In my shop at least 99% are in favor of what we have spoken about.

FOURTH COMMITTEEMAN: I could not exactly say, but I figure that 75% in my department are for withdrawal of the demand.

FIFTH COMMITTEEMAN: I have spoken to some men in our gang who seem to think the men are crazy to ask for such a thing at this time.

SIXTH COMMITTEEMAN: As far as I can see, they are almost unanimously against it. Those who voted for it were confused by the ballot. They thought that "For withdrawal" meant for the increase. They misunderstood the ballot.

CHAIRMAN: Any further questions to be put to the committee?

There were no questions.

CHAIRMAN: Members of the committee, I wish to thank you for the interest you have taken in this matter and for the facts you have brought before us. Whenever you feel that you want to be heard by this council, it is your right to ask for that privilege, and I am sure we will be glad to hear from you.

The committee then retired.

CHAIRMAN: We can have an informal discussion before any motion is offered. Mr. Andrews, would you like to start the ball rolling?

ANDREWS (E): We made this proposition to Mr. Wilson and got his statement about two months ago, and it was taken for granted that this would be the proper request to make. We called a meeting and discussed it thoroughly. Mr. Shelkoff made a motion that we try to work that request through; it was unanimously carried to lay it before the assembly. After further discussion and, on the face of it, difference of opinion, the suggestion was made that a secret ballot be taken. I have been discussing the matter at length with the men in these divisions. They would like to see the thing go through to the president of the company.

CHAIRMAN: Is any motion offered?

KNIGHT (E): As far as my division is concerned, we are very enthusiastic to push it through as far as it will go. As a result of our balloting last time, there was a deadlock with a majority of the employee representatives in favor of the motion. Under our rules, an appeal can be made by the employee representatives to the president of the company unless a compromise motion can be agreed upon. I cannot offer any motion as a substitute for the original one.

CHAIRMAN: I think that we have a right to reconsider our first ballot if any of us feel that there is such difference of opinion in this department that the demand is not the true sentiment of the men.

LAMSON (E): I move the motion be reconsidered on the ground that there seems to be a difference of opinion in the departments. As Mr. Gray said, if in a meeting some one should say, "Everybody who wants more money, get over on that side of the house," I do not think Mr. Wilson would be any slower than any of the rest of us in getting over to that side of the house. Moreover, as individuals, we would not want to go against our fellow workers, but on the evidence of the secret ballot, I recommend that the original motion be reconsidered.

ZINN (E): I second the motion.

CHAIRMAN: Any discussion? If this motion is carried, it brings the original request back to the same status it held prior to its introduction before this group.

KNIGHT (E): I cannot see it that way at all.

CHAIRMAN: If this body votes to reconsider the question, it will be in order to discuss the matter thoroughly. One division cannot go directly to the president under our plan. We must decide as a body whether such a request shall be submitted to him.

KNIGHT (E): There is no possibility of getting legislation that way.

ANDREWS (E): The way it looks to me, they are trying to put one over. The men in my division are under the impression that the proposition is on its way to the president right now.

CHAIRMAN: It is on its way to the president unless we withdraw the motion. The motion is now up for reconsideration. Any further discussion?

The motion to reconsider was carried by a majority of one on the employees' side and by unanimous vote of the management representatives.

CHAIRMAN: Knight should be given the first opportunity for reintroducing the motion.

KNIGHT (E): The only thing that I can do is to repeat what I said before.

CHAIRMAN: Knight, tell us what your own reaction is, any results of further talks you have had with men in your own division.

KNIGHT (E): I will not say anything at this time. I would not be doing justice to employees in my division.

ANDREWS (E): I would like to be excused from making any remarks right now. I would like to inform my constituents of the action of this council here today, and if they can see their way to push the proposition through, I would like to talk to them about it.

ORR (E): I move the management representatives withdraw.

The motion carried, and the management representatives withdrew. After 20 minutes' recess, the assembly reconvened.

CHAIRMAN: Do any of the employee members desire to speak on the subject before us?

No one volunteered to make a statement.

CHAIRMAN: Mr. Wilson, do you care to discuss the question further?

WILSON (M): As I understand it, we are now back to the discussion of the original proposal. I would like to put a few figures on the blackboard. It is better to take hourly rates than anything else. I need not state here at any length the fact that a good many of the men on turn are on a tonnage basis, and that their earnings vary considerably.

In March, 1918, a typical employee in each of the three departments listed here would earn approximately the following wages:

MARCH, 1918

	Blast Furnace	Mill	Shop
Turn rate	\$ 5.12	\$ 5.85	\$ 5.85
Hours on turn	12	12	10
Hourly rate	\$ 0.42 $\frac{2}{3}$	\$ 0.48 $\frac{3}{4}$	\$ 0.58 $\frac{1}{2}$
Weekly pay (6 days)	30.72	35.10	35.10

That's the way it stood in March. On April 15, we had a 15% increase which changed the figures somewhat.

APRIL, 1918—15% INCREASE

	Blast Furnace	Mill	Shop
Turn rate	\$ 5.89	\$ 6.73	\$ 6.73
Hours on turn	12	12	10
Hourly rate	\$ 0.49 $\frac{1}{12}$	\$ 0.56 $\frac{1}{12}$	\$ 0.673
Weekly pay	35.34	40.38	40.38

Just about this time the iron- and steel-producing departments were changed from a 12- to an 8-hour turn, which made their earnings somewhat different, and you recall the adjustment made with them at that time.

CHANGE TO EIGHT-HOUR BASIS

	Blast Furnace	Mill	Shop
Turn rate	\$ 4.91	\$ 5.61	
Hours	8	8	
Hourly rate	\$ 0.61 $\frac{3}{8}$	\$ 0.70 $\frac{1}{8}$	
Weekly pay	29.46	33.66	

On August 1, we had a 10% general increase in the industry:

AUGUST 1—10% INCREASE

	Blast Furnace	Mill	Shop
Turn rate	\$ 5.40	\$ 6.17	\$ 7.41
Hours on turn	8	8	10
Hourly rate	\$ 0.675	\$ 0.77½	\$ 0.741
Weekly pay	32.40	37.02	44.46

On October 1, when the industry adopted the 8-hour basic day, the production departments were granted a 16⅔% increase, as you will remember, and the shopmen were granted the basic 8-hour day as was granted generally to their group in the industry.

OCTOBER 1—16⅔% INCREASE

	Blast Furnace	Mill	Shop
Turn rate	\$ 6.30	\$ 7.20	
Hours on turn	8	8	
Rate per hour	\$ 0.78¾	\$ 0.90	
Weekly pay	37.80	43.20	

BASIC EIGHT-HOUR DAY

	Blast Furnace	Mill	Shop
Turn rate*			\$ 8.15
Hours on turn			10
Rate per hour			\$ 0.815
Weekly pay	\$37.80	\$43.20	48.90

*Standard time = 8 hours at \$0.741 = \$5.93
 Two hours overtime at time and one-half = 3 hours at 0.741 = 2.22
 \$8.15

If we accepted the proposal of these divisions, the men would be making over 97 cents an hour. They would be making \$46.68 a week.⁶

Let us contrast this with the other fellows. In March, 1918, 10-hour men were getting \$35.10, making a difference of \$11.58 which is approximately 31½%⁷ increase. In March, 1918, production men were getting \$30.72 who now are getting \$37.80. This increase of \$7.08 is 22.8%.⁸ I do not believe we have much more to say. All we can do is to explain this matter, and you will have to vote on it. If we cannot agree, go ahead and send it up to the president, and you can rest assured that it will be given thorough consideration.

⁶ $\frac{9 \times .741 \times 1.16\frac{2}{3}}{8} = .97\frac{1}{4}$ an hour, or \$46.68 per week of 48 hours.

⁷ [Actually, this increase amounted to 32.9%.]

⁸ [Actually, this increase amounted to 23.04%.]

CHAIRMAN: Any further remarks? We will ballot on the original motion.

The secretary read the original motion that the demands of the shopmen be granted, and the result of the balloting was as follows:

Management members in favor.....	0
Management members opposed.....	15
Employee members in favor.....	8
Employee members opposed.....	7

CHAIRMAN: Gentlemen, the ballot shows the majority of the employee representatives to be in favor of this motion and the management representatives unanimously opposed to it. Is there any compromise suggested? Do I hear a suggestion?

KNIGHT (E): A majority of the employee representatives agreed in our caucus that we would refer this matter to the president of the company in case the request was not granted here. Under the rules we have the right to do so.

CHAIRMAN: That is your privilege. Is there any discussion? This being a special meeting, no other business can be brought before it legally.

Meeting Adjourned.

The major production executives of the company, in discussing this problem with the president, reviewed their experience in changing the producing departments from 12-hour to 8-hour shifts. Although that change theoretically involved an increase in work force of 50%, the company had found it necessary to increase its personnel only 25%. Much of the work in the producing departments was arduous, yet the workers could control speed of operations to some extent. A large proportion of the men in the producing departments were paid piece rates on a tonnage basis. Hence they were induced to increase their rate of production when shorter hours were granted them. In the case of many of the arduous jobs, the reduction in hours reduced fatigue to such an extent that 2 skilled men were able to do in 8 hours the work which 2 skilled men and a helper, or 3 skilled men had done previously in 12 hours. Comparisons of producing costs which subsequently were made with other steel mills in the country indicated that the labor costs of the Champlain Steel Company were not substantially increased as a result of the wage adjustments made because of the introduction of the 8-hour workday.

Obvious differences in the nature of the work of the producing divisions, on one hand, and of the mechanical, maintenance, and yard divisions, on the other, might make the 8-hour day less satisfactory in the latter divisions than it was in the former. Some of the executives asserted that 14 hours was as brief a period as a steel plant could operate without the presence of the mechanical and maintenance forces. One executive pointed out, for instance, that the furnace pits had been designed to hold the ashes that accumulated in 14 hours, and that they probably could not contain the ashes which would accumulate during 16 hours, as would be necessary if the 8-hour day were granted to the maintenance employees. Much of the work of the mechanical, maintenance, and yard men was not repetitive, and most of them were paid hourly rates of wages. The executives knew of no steel company that had extended the 8-hour day to those employees. If the request for higher rates of wages per hour were to be granted, the company's pay-roll costs would be increased unless the men receiving the increase did in 8 hours what they previously had done in 10 hours.

At the time of the case, many machine shops and other metal-working establishments in the industrial district in which the Champlain Steel Company was located were operating nine hours a day during the first four workdays of each week and five or seven hours on Saturdays.

The executives, largely because of their favorable experience with the shorter workday in other departments and their confidence in the men working in the mechanical, maintenance, and yard departments, decided to accede to the request of those employees for the introduction of the 8-hour day. A memorandum stating that decision and also providing for suitable adjustment of wage rates was drafted, and the president of the company arranged to meet the plant assembly in special session one week after the issue was referred to him.

In opening that special meeting the chairman made a brief introductory statement and then introduced the president of the company.

PRESIDENT: The question referred to me has had the best thought and attention that I could give to it under present conditions. I trust that my decision will meet with your approval and that this assembly will continue to function in promoting a better under-

standing between the management and the employees of this company. I have reduced my decision to writing, and I will read it and trust that a frank discussion will follow.

"Referring to the proposition passed on to me by your works assembly to put the maintenance and yard departments on to an actual 8-hour basis (which departments are now working 10 hours on a basic 8-hour day basis) and give them 9/10 of their present daily rate plus 16 $\frac{2}{3}$ % increase, I wish to propose a settlement of this matter accepting your proposition in principle as to an actual 8-hour turn, and as to the 9/10 of the present rate less all special increases between the present date and April, 1918, with, however, a 10% increase instead of the 16 $\frac{2}{3}$ % increase, inasmuch as the basic 8-hour day to corresponding men in other steel plants netted them only 10% increase on their earnings and not a 16 $\frac{2}{3}$ % increase as you ask. In other words, in the case of these mechanical shop men, we will go back to their rates as fixed in March, 1918. Starting from there, we would add the 15% general increase of April 15, and (as the 12-hour men were changed to 8 hours on a 10/12 basis on this date) change these mechanical departments to the actual 8-hour turn basis by giving them 9/10 of what they then would be getting. Add to their new rates determined in this way the 10% general increase that was put into effect August 1, 1918, and to the new rates, as thus determined, add 10% in lieu of the same percentage of increase in earnings accruing to men in corresponding positions in other steel plants of the country, on account of those plants being put on the basic 8-hour basis October 1, 1918.

"The above accepts the principles upon which the representatives of the mechanical divisions ask that their departments be changed over to an actual 8-hour turn basis, that is, in strict accordance with the principles upon which the men in the former 12-hour departments were changed to 8 hours.

"We realize this results in extraordinary high hourly rates for many of these shopmen, but in view of the assurance given us by one of the representatives, that if his men were changed to an actual 8-hour turn on a basis that involved the same principles as the 12-hour men were changed to 8 hours, his men would do their utmost to accomplish in 8 hours what they now are accomplishing in 10 hours; I say in view of this, we have given this proposition as stated above our approval."

CHAIRMAN: The president has had prepared copies of his suggestion and an exhibit showing its effect. Sufficient copies are being passed out for every member of the assembly. Mr. Wilson will explain the figures.

Wilson then explained the figures shown below:

<i>March, 1918</i>	PRESIDENT'S DECISION	PRIOR ADJUSTMENT
Turn rate	\$ 5.85	\$ 5.85
Hours on turn	10	10
Hourly rate	\$ 0.58 $\frac{1}{2}$	\$ 0.58 $\frac{1}{2}$
Weekly pay (6 days)	35.10	35.10

April 15—15% Increase

Turn rate	\$ 6.73	\$ 6.73
Hours on turn	10	10
Hourly rate	\$ 0.673	\$ 0.673
Weekly pay	40.38	40.38

Change to 8-Hour Basis

Turn rate 9/10	\$ 6.057	.....
Hours on turn	8	.....
Hourly rate	\$ 0.757	.....
Weekly pay	36.36	.....

August 1—10% Increase

Turn rate	\$ 6.67	\$ 7.41
Hours on turn	8	10
Hourly rate	\$ 0.83 $\frac{3}{8}$	\$ 0.741
Weekly pay	40.02	44.46

October 1—10% Increase

Turn rate	\$ 7.34	\$ 8.15
Hours on turn	8	10
Hourly rate	\$.91 $\frac{3}{4}$	\$.815
Weekly pay	44.04	48.90

KNIGHT (E): As I understand the situation now, we get 10% instead of 16 $\frac{2}{3}$ %.

WILSON (M): This is a clear-cut statement. We start in March, 1918, given all general increases, change on to an 8-hour basis with 9 hours' pay, or a 50-50 adjustment, and then follow with general increases.

KNIGHT (E): As an actual result, how far away is it from the original request?

WILSON (M): The men get \$44.04 a week, or 91 $\frac{3}{4}$ cents an hour. The original request would have worked out to over \$1 an hour, I believe \$1.03 $\frac{1}{2}$. If accepted, this proposition places these men on an even keel with other men and subject to any increases or decreases of wages that are general throughout the industry.

CHAIRMAN: I am sure that the employee representatives will want to talk this thing over by themselves.

PRESIDENT: I want to call attention to competitive conditions in our business at the present time. No doubt you are familiar with them. I think they should be given weight by the employee representatives. Our policy always has been to make our wages as high as those paid by our competitors. It is our hope that conditions will improve. We would rather see other industries coming to our standards than our having to go to theirs. We hope to maintain our policy through efficient operation.

KNIGHT (E): There doesn't appear to be very much difference in the offer submitted by our president and the request made by the

employees in these departments. The offer looks good to me. The men prefer 8 hours. That is the fundamental idea of these men—the 8-hour day. They are willing to make sacrifices of actual money, and I do not think that the small difference between what we expect to lose and what we actually may lose by accepting this proposition is going to stand in the way of an agreement. I will do what I can to urge the men to accept the president's offer.

ANDREWS (E): On behalf of the men in my division, I wish to state that I feel sure that this proposal of the president will look very good to them at this time. I will tell them of the good will evident at this meeting, and I believe the offer will go across.

KNIGHT (E): Just one more word. With reference to output of our divisions—10 hours as against 8 hours—I am entirely sincere in predicting that after a short trial you actually will get the output in 8 hours that you now are getting in 10 hours; or so near that the difference will not cost you more than the sum you gain on account of the fact that we are working 8 hours instead of 10 hours. We expect the cooperation of every man, every foreman, and the boss himself. We think there is little room for improvement because you have a good line of efficiency right now, yet we believe we can accomplish in 8 hours what we now are accomplishing in 10 hours.

PRESIDENT: I admire the spirit of this assembly. Apparently we are encountering a period of bitter competition. I hope that this assembly will aid us to come through successfully.

(applause)

CHAIRMAN: I take it for granted that the representatives of these departments would appreciate an opportunity to go back to their constituents and take the proposal up with them. If you care to have the management members retire, we will do so. A special meeting can be called at the request of the representatives involved. There is no desire to push the thing through too rapidly.

KNIGHT (E): I suspected that there would be some sort of counter proposition. I couldn't see very well how anything else could happen. I ask that we take a recess possibly until tomorrow. It only takes a few minutes to get the men together. We have an underground way to get together in our shop. We can put this up to the men tomorrow around noon and have the whole business cleaned up. Any time after tomorrow would be acceptable to us. No; on second thought I think that tomorrow might be a little too soon. Every man would like to figure out what he would receive. He might want to figure from March a year ago, and see just what this proposal brings him.

CHAIRMAN: A motion would seem to be in order to adjourn, pending a call for a resumption of this special meeting to be issued by the representatives of these departments.

Three days later the special meeting was resumed.

CHAIRMAN: Let us hear from the representatives of the men involved in this wage matter.

KNIGHT (E): I have the pleasure to inform you that the employees in the departments I represent have given a unanimous and enthusiastic vote in favor of accepting the proposition as submitted by the president.

ANDREWS (E): The men in our division held a meeting at noon. The proposition was placed before them and they accepted it unanimously. They accepted the offer in the same spirit it was given.

CHAIRMAN: I think it would be in order to move and second the president's proposal and vote upon it. If it is accepted by three-fourths of those present, it becomes effective.

The ballot resulted in a unanimous vote in favor of the president's suggestion.

In 1922 the Champlain Steel Company reported that business in the iron and steel industry had improved after this wage adjustment, and that orders had been received in large volume for six months thereafter. During that period of active operations the men in the mechanical, maintenance, and yard departments had been successful in doing their work satisfactorily in eight hours a day.

COMMENTARY: The terse request which appears at the outset of this case at once creates the impression that the mechanical, maintenance, and yard departments sought an exorbitant wage increase. The discussions in the works council, taken in conjunction with preceding events, indicate that the demands were not unreasonable. The case illustrates the need, in labor negotiations, of going beneath the surface in order to understand the objectives of the workmen and the foundations upon which those objectives rest.⁹

After the background of the demand becomes clear in subsequent pages of the case, the reader recognizes that the fundamental trouble was the change which had taken place in the relative status of the 10-hour men and of the turn employees of the Champlain Steel Company. The actual working hours of the turn employees had been reduced from 12 to 8 per day. For the 8 hours, those employees were paid 10 hours' wages, or 25% more per hour than before. In addition they had been granted a 16 $\frac{2}{3}$ % flat increase in October, 1918. The 10-hour men, however, had been granted an increase of only 10%, and that was contingent upon their continuing to work 10 hours. Apart from these adjustments, both groups had shared in the wage increases then being

⁹ See also, for example, the case of the Mason Street Railway Company, 1 H.B.R. 214; commentary, 2 H.B.R. 456.

made in the steel industry. Apparently, this change in relative status in respect of daily working hours and hourly rates had caused dissatisfaction and discussion among the maintenance and yard men for several months prior to the formal presentation of their demand in the plant assembly. The company encountered the demand because in some departments it had raised its standards of employment above those current in the industry, but had adhered to the current standards of the industry in other departments.

Knight and Andrews, the spokesmen for the mechanical, maintenance, and yard men, did not present the most important factor in support of their proposition until the discussion of the wage demands was well under way. Then they stated that if the company granted their request the men in their departments would perform the regular duties of those departments within eight hours. This statement naturally aroused doubt on the part of the executives. Whether it was made in good faith was a question that probably could be decided by the executives from their knowledge of Knight and Andrews. Whether the statement had the support of a substantial majority of the employees in the departments those men represented was a more difficult question. In any event, the commitment could not be accepted from the company's standpoint as a guaranty.

At face value, the statement of Knight and Andrews, that the mechanical, maintenance, and yard forces would do their work in 8 hours, indicated that those departments wished chiefly the 8-hour day. Therefore, the overtime rate they asked for had small importance. The request for a $12\frac{1}{2}\%$ increase in wages was rightly based upon the company's action taken when it reduced the daily work schedule of the turn men from 12 to 8 hours. The $16\frac{2}{3}\%$ demand, however, was unjustified. That was the rate of increase granted by the industry to turn men working 12 hours when the basic 8-hour day was adopted. The Champlain Steel Company had applied the same rate of increase to the wages of its turn men who then were working 8 hours daily. In the industry generally, men working 10 hours a day, as the Champlain Steel Company's mechanical, maintenance, and yard men were, had received an increase of 10% for 10 hours' work as a result of the introduction of the basic 8-hour day. Knight and Andrews should not have asked for the same percentage increase as was received by the Champlain Steel Company's turn employees at the time of the industry-wide introduction of the basic 8-hour day. Rather, they should have asked for the increase received by maintenance employees in the industry at that time, that is, 10%.

Although this was a request for increases in wage rates as well as for the 8-hour day, the men who made it were satisfied with a decrease in total daily earnings, provided they could secure the shorter working

day. When the men submitted the request, they were receiving \$8.15 a day; they were pleased to accept \$7.34 a day along with the 8-hour working period. The representatives of the men pledged, apparently in good faith, that the departments in that reduced working period would perform their accustomed duties. That promise contained a large element of risk, yet if fulfilled it was to reduce labor cost in the maintenance and yard departments approximately 10%. In its full scope, therefore, the proposition of the men was neither arbitrary nor one-sided.

Perhaps the most significant feature of the negotiations following the employees' request was the large number of statements made by each side which were unchallenged by the other. Instead of an endeavor to withhold information or mislead one another, the manner of spokesmen on both sides was to present their views fully. A process of mutual enlightenment took place as each side added its version of the controversy. A reasoned and mutually satisfactory settlement became increasingly probable as this interchange of opinion continued.

So far as a written transcript can reflect the temper of a negotiation, this controversy was adjusted amicably. Both sides exercised patience and demonstrated open-mindedness. The plan of employee representation in this instance functioned effectively as a method of negotiating terms of employment. The conduct of the employee representatives most active in this demand was aggressive and exceptionally able. The criticism sometimes made, that employee representatives are inferior to company officials as negotiators, would seem to be inappropriate in this case. We note, however, that Knight was a unionist, or, at least, had had experience as a unionist, and that he represented an intelligent group of skilled men. The parleying on pages 349 and 350, wherein each side tried to put the other upon the defensive, is of particular interest in this connection.

The negotiators' original opinions of the relative position of the mechanical, maintenance, and yard employees differed because they adopted different standards of comparison. The employee spokesmen, Knight and Andrews, contrasted the lot of their constituents with that of the turn men in the Champlain Steel Company. From that standpoint, the maintenance and yard men suffered adverse discrimination. The company's executives, on the other hand, held that the company had treated its maintenance and yard men as liberally as other steel companies had treated employees doing corresponding work. Both statements, so far as they went, were true, yet they had to be reconciled.

The company's spokesmen endeavored to weaken Knight's and Andrews' position by pointing out that the alleged favorable working

conditions of turn men had not induced maintenance men to seek work in turn departments; that the hourly rates demanded by the maintenance men were above union rates in the vicinity; that work in the Champlain Steel Company was more regular than was work in some trades; that some other employees in the departments were not in favor of the increase because they thought it excessive at the time. After Knight and Andrews had stated that their constituents, provided the demands were granted, would do in 8 hours the work they customarily had done in 10 hours, the company spokesman insinuated that the men in these departments were not exerting themselves as diligently as they should.

The employees pointed out that the turn men had received the 8-hour working day, and that the hourly rates of the turn men in consequence were substantially increased. The spokesman for the maintenance departments alleged that the company's labor costs would be reduced, in spite of the increased hourly rates which they requested, because the same effort would be compensated at 9/10 its former rate.

The experience of the company in reducing the daily hours of its mechanical, maintenance, and yard employees should not constitute a governing precedent. As an isolated case it supports merely some tentative inferences. The men in those departments were paid hourly rates. Therefore, they did not have a financial incentive to increase their output during a shorter working period as did men who were paid piece rates. The reduction in their working time amounted to 20%, a reduction so large that the company's executives were unable to depend implicitly upon the assurance given by Knight and Andrews that their constituents would perform the regular duties of the departments within 8 hours.

That proposal really introduced a nonfinancial incentive plan in the mechanical, maintenance, and yard departments. The plan offered a shorter working day and a goal of productive achievement to be reached through cooperative effort. Desire for leisure, desire for prestige in the eyes of other workmen, and the element of sportsmanship in attaining a goal voluntarily established, all probably played a part as new incentives to the workmen in the maintenance and yard departments. Financial considerations were not uppermost in these employees' minds when this proposal was framed.

Because of the nature of mechanical, maintenance, and yard work in an iron and steel plant, employees in those departments could accelerate their efforts in a shorter daily work period. The work was not repetitive in character, and in its execution there was opportunity for the exercise of managerial effort. The employees could attend to preparatory operations more effectively; they could plan and execute

their tasks with greater ingenuity; the several crafts could cooperate more harmoniously. These matters were dependent largely upon the will of the employees. Definitive work standards and close supervision were not present. The work of these employees, moreover, was muscular in type. The reduction in hours proposed was likely to lessen fatigue more than proportionally to the curtailment of working time. In consequence, hourly output could increase, although it was uncertain whether the increased hourly output would be sufficient to equal the production of the two hours that were taken off the daily schedule.¹⁰ The morale of the men in these departments would have declined if the company had denied their request for the 8-hour day.

In this case, the company's decision was practically irrevocable. The company scarcely could inaugurate the 8-hour day in the mechanical, maintenance, and yard departments as an experiment whose continuance would depend upon the employees' doing their regular duties within that period. The company already had conceded the 8-hour day to the turn men and had been willing to stand the risk and cost of that venture. In that case extra men had to be employed, and hourly wages were increased.

If the company had taken up its doubts on these points with the employees in the course of the negotiations, that policy might have caused the employees to reckon seriously with the obstacles in the way of their intended endeavor. It may be surmised that the company had more evidence regarding the sentiment in favor of that endeavor than appears from the statement of the text. Perhaps it was best that the company did not go into these matters with the representatives of the maintenance departments. By not discussing these doubts, the company adopted a hopeful attitude toward the employees' efforts. The differences of opinion which so easily come to the surface in the discussion of a cooperative venture were allayed in the actual undertaking to reach the definite standard that the representatives had set for these departments. The company's problem was especially difficult because in some departments the company had departed from the daily working schedule effective in the industry in general. The company, therefore, had to decide, first, whether to make a corresponding departure from the industry's general standards in the 10-hour departments. Having decided to do so, the company applied the principle of dividing equally with the employees the wage loss resulting from the reduction in daily hours that it had applied in the adjustment with the

¹⁰ Evidence as yet is meager as regards the relationship between hours of work and output, although some pioneer studies have been made.

On this point, see *Public Health Bulletin 106*, United States Public Health Service, Washington, 1920, and publications of the Industrial Fatigue Research Board, Great Britain.

turn men. It then applied to the rates thus determined the percentage increases which had been put into effect generally in the steel industry for the various employee groups or classes. This decision maintained the turn employees' financial status at least at its previous position relative to the rates obtained by other groups of workmen in the plant or industry.

The case indicates that the possibilities of employee representation are conditioned by the character and abilities of the individuals using that device. Several events in the case point to the difficulties that an employee representative has in interpreting the wishes of his constituents. One employee committeeman reported that many of the employees were apathetic, and that others had opinions which were based upon partial information or upon misinformation. A tendency to class thinking among employees was referred to in the case. That tendency in any group prevents balanced consideration of controversial proposals.

The behavior of the informal committee was not impressive. Upon cross-examination the members of that body reversed their statements regarding the authoritativeness of their position. At first they spoke of the sweeping endorsement given their views in the maintenance and yard departments, but later it developed that these men had questioned only a few employees, and that their questioning was not conducted according to a systematic plan.

Both the votes taken upon the issue were conducted in an unsatisfactory manner. The visible voting plan was definitely unsuited to a question of this kind. In such a poll of opinion each individual would be inclined to endorse a demand for a wage increase because of his sympathy with the position that he believes his group has endorsed. His personal views of the proposed increase would not determine his vote. The wording of the ballots used in the secret election was confusing. No doubt some employees understood the words "for withdrawal" to mean "for the demand." It may be assumed that the irregular and sporadic methods of testing employee sentiment which were used in this case were attributable in part to the newness of the plan of employee representation, and that additional experience with the plan would bring into vogue more systematic methods of procedure.

May, 1926

J. W. R.

ATGLEN MILLS¹

MANUFACTURER—TEXTILES

DISCHARGE—*Based on Incompetency.* During a period of curtailed output and plentiful labor supply, a textile mill warned an employee that his work was unsatisfactory, after adequate proof of his ineffectiveness had been gathered through records of his production as contrasted with that of other men on similar work. The worker, as president of a local union, contended that the records were inconclusive and that his length of experience proved his competence; he threatened to call a strike if discharged. The company decided, nevertheless, to discharge him on grounds of incompetency.

HIRING—*Refusal to Reemploy Discharged Unionist Threatening to Call Strike.* An employee discharged by a textile mill because of incompetency, threatened to call a strike of the union of which he was president, unless the company agreed to reemploy him. The company decided not to reemploy him, believing the grounds for the discharge could be explained satisfactorily to the union.

UNION RELATIONS—*Preventing Strike by Showing Adequate Cause for Previous Discharge of Union Official.* On demonstrable grounds of unsatisfactory work, the overseer of a textile company's weaving department discharged a loom fixer who was president of the local union of his craft. The discharged man threatened to call out on strike the company's loom fixers, who all were union men, unless he was reinstated in 48 hours. The overseer, acting under the manager's instructions, prevented the possibility of a strike by convincing the loom fixers that the man had been discharged because his work was unsatisfactory. In view of that fact, the loom fixers refused to strike.

(1919)

On grounds of unsatisfactory work, the overseer of the weaving department of the Atglen Mills, early in 1919, discharged Charles Butler, a loom fixer who was president of the local union of his craft. The discharged man threatened to call out on strike the loom fixers employed by the company, all of whom were union men, unless he was reinstated within 48 hours. The overseer referred the case to the manager for action.

The Atglen Mills, which manufactured woolen fabrics, were located in a New England textile center. In this town the loom fixers had a close organization, and all the loom fixers employed by the Atglen Mills were members of the local union.

¹ Fictitious name.

Loom fixers were employed to maintain looms in operating condition and to make the necessary changes in the set-up of the looms to produce cloth of different patterns. With the exception of the wool overlookers, the loom fixers were the most highly skilled and the highest paid workmen in the woolen mills. There were a number of workers who were paid higher hourly rates than were the loom fixers, but a bonus was given loom fixers, varying with their efficiency ratings, and this raised their earnings so that among the employees only the wool overlookers received higher weekly earnings than the loom fixers. If the loom fixers struck, the weaving department presently would come to a standstill, and this would block work in the departments which prepared yarn for weaving.

Charles Butler had been in charge of one section of looms in the company's weaving department. He had entered the employ of the Atglen Mills in August, 1918. The overseer in charge of the weaving department noticed that Butler was not so competent as the other loom fixers in this department, but as labor was scarce at the time, the overseer thought it best to retain Butler until some one more competent could be hired in his place. Early in 1919, due to generally curtailed manufacturing programs, available labor became more plentiful. The overseer then spoke to Butler about his poor record. Butler, who was of middle age, retorted that a man of his years was much better than the "youngsters" that the company was training "as fast as the union constitution would allow." The union constitution provided that one apprentice was to be allowed to each five sections of looms. With a reprimand, the overseer sent Butler back to work. Because he thought that his opinion of Butler might not be warranted, the overseer then asked that the output of the several sections of looms during the following month be recorded.

At the end of the month, Butler's section was found to have produced about 5% less than the average output of all sections in the department. Butler's section was the poorest section in the department. The overseer had learned also that Butler was drinking heavily.

The overseer then called Butler aside and confronted him with the record of the output of his section. Butler protested that the record did not tell the whole story and that his position as president of the union and his many years of experience as a

loom fixer vouched for his competence. The overseer, convinced that further conversation with Butler would not improve the situation, told Butler that the company was able to hire more competent loom fixers than he, and thereupon discharged him.

Butler, enraged, stated that the company would regret this step and that he would give it 48 hours to reinstate him. He threatened to call out on strike all the loom fixers in the plant if at the end of that time he was not reinstated. The overseer reported the matter to the general manager.

After questioning the overseer regarding the accuracy of the production records and satisfying himself on that point, the general manager instructed the overseer to stress to Butler the fact that his discharge resulted from unsatisfactory work. The overseer, acting under the manager's instructions, also convinced other loom fixers in the department that Butler was discharged for unsatisfactory work. For that reason they refused to go out on strike in sympathy with Butler.

COMMENTARY: The significant point in this case is the way in which the manager took pains to have the loom fixers understand the reasons for Butler's discharge. The manager saw the necessity of convincing them that the discharge resulted from *demonstrable* unsatisfactory work and not from union status or official position.

The members of the union, considering Butler as a workman, were not vitally concerned in his continued employment with the Atglen Mills. On the other hand, as unionists, they were concerned that Butler should not be discharged because of his union status. They might have regarded Butler's discharge as the first move in an attempt by the company to disrupt their labor union in this plant, and to deprive them of any benefits which they thought accrued to them as a result of the organization.

This interpretation of the discharge was prevented by the company's explanation. The loom fixers recognized the company's purpose in discharging Butler to be sound and not antagonistic to them as unionists. The men found that they did not have common cause against the company, and therefore Butler's strike ultimatum became an ineffective gesture.

The manager would have taken a step of far-reaching adverse possibilities had he yielded to Butler's ultimatum. A precedent would have been established in which the threat of a strike had caused the company, against its wishes, to retain an incompetent employee.

TRISTATE TRANSIT COMPANY¹

PUBLIC UTILITY—STREET RAILWAY

WAGES—Increase Granted by Company on Basis of Rising Living Costs Protested by Union Agent. Although the company's employees had not asked for a wage increase, the general manager of a street-railway company decided to grant a general increase of 10%. The amount of the increase was deemed equal to increases in living costs. The general manager had not discussed the wage question with the officials of the union to which a majority of the employees belonged, and when he announced the increase the business agent of the union protested, stating that the increase was inadequate.

(1918)

In April, 1918, the general manager of the Tristate Transit Company voluntarily increased the wages of all the company's employees 10%. To his surprise, the business agent of the street-car operating employees' union protested that the amount of the increase was inadequate.

The Tristate Transit Company operated city and interurban street-railway lines in a large territory including 3 industrial cities of over 50,000 inhabitants each. The company employed approximately 5,000 men, 60% of whom were car operators or so-called "platform" men. The car-operating men were completely unionized. For a number of years the company and the union had been parties to labor agreements. Those agreements had specified, among other things, wage rates, the determination of working time, and the method of adjusting grievances.

Several local unions, with headquarters at different points in the area served by the Tristate Transit Company, were federated in an organization which represented the transit system as a whole. The officials of the federation dealt with the company's executives on issues of general importance. A local problem or a personal grievance was settled ordinarily by local union officers and the superintendent in charge of the division upon which the issue arose. These local unions and the system federation in turn were affiliated with a national labor organization of street-car operating employees. The mutual relations of these union

¹ Fictitious name.

bodies and their policies toward their employers were governed by the constitution and by-laws of the national organization.

In 1918, in common with many other street-railway systems, the Tristate Transit Company entered upon a period of financial stress. A street-railway company operating in a neighboring territory, for instance, was obliged to discontinue service on some of its lines as a result of adverse financial conditions. The local press had given publicity to the financial condition of the Tristate Transit Company from month to month.

On October 15, 1917, the Tristate Transit Company had won public approbation by the means it had taken to avert a strike; the company had negotiated an agreement with the street-car operating employees' union whereby wages were increased to correspond with the rise in the cost of living. The agreement was for a six months' period. On January 1, 1918, the man who was then general manager retired. The executive who took his place was a prominent engineer.

The company's employees, with few exceptions, were native-born Americans. The officers and executive committee members of the street-car operating employees' union were predominantly of Irish extraction and most of them had held their offices for several terms. With the exception of the business agent, who represented employee interests throughout the company's territory, these union officials held one-year terms. A business agent was elected for a two-year term. Elections were held annually in June. The term of the business agent holding office in 1918 was to terminate in June of that year. This business agent had been a successful leader in local politics before he became union representative.

In March, 1918, the general manager of the company reviewed changes in the labor situation and in living costs. He decided that he would be justified in making a flat increase of 10% in the wages of all the employees. A public announcement of official figures of changes in the cost of living indicated that the cost of living had increased approximately 10% between October, 1917, and March, 1918. The general manager also had obtained reports privately of the retail prices in the territory served by the Tristate Transit Company's system. He had found that the figures thus obtained agreed substantially with the official reports. In March, 1918, the manager was planning to put into effect

operating economies which would nearly balance the 10% increase in wages.

On April 10 the general manager wrote a letter to the business agent of the street-car operating employees' union. In the letter he referred to the official figures of changes in the cost of living; he stated that his private investigations agreed with those figures; he mentioned the public reports of the company's unsatisfactory financial condition, but did not refer to the economies he planned to place in effect upon the system; he then stated his decision to make a 10% advance in the wages of all the company's employees. He ended the letter with a sentence to the effect that in giving this increase he was counting on the cooperation and help of the employees in efforts to eliminate inefficiencies and to reduce costs, so that the company could continue to pay the increased rates of wages. The manager had multiple copies of the letter printed and posted on all the car barn bulletin boards of the company for the information of the employees.

The general manager was surprised when the business agent of the union, a day later, made a vigorous attack upon the amount of the wage increase, declaring it inadequate and stating that a much larger increase would be demanded by the spokesman of the union.

COMMENTARY: This case occurred at a time when labor was in a favorable bargaining position. The company was expected to give continuous street-railway service because of the pressing nature of the war demands (1918) for large production.

The union in the case apparently had been satisfactory both to employer and to workmen as a bargaining and disciplinary agency. It was improbable that the union would lose the employees' support. There could be no advantage to the company in antagonizing the membership or the union officials at the time.

Union officers must show results in order to retain the favor of their constituents, and, furthermore, in order to justify continued support of the union organization by the workers. It may be assumed that the business agent of this union liked the position he held and desired reelection. This personal ambition was apart from, but not inconsistent with, his desire to obtain improved working conditions for his constituents.

The fairness of the wage increase decided upon by the manager is not questioned here. His method of granting that increase, however,

showed lack of foresight in regard to the probable turn of these negotiations. The announcement doubtless was intended to dispense with time-consuming debate. The method of granting the concession, however, prevented the union officials, just prior to election time, from demonstrating, as regards this particular wage increase, their labors and personal worth to the membership.

The manager no doubt thought that the information in his letter when read by members of the rank and file would convince them that the adjustment was fair under the circumstances. The manager disregarded the fundamental belief of the labor unionist that an employer will not pay voluntarily as large a wage as he can be made to pay under union pressure. Consequently, an employer's voluntary concession is likely to be viewed with suspicion by ardent unionists.

The union business agent did the thing natural under the circumstances. He determined to find issues upon which negotiations could be held, and he knew that it would not be difficult to convince the membership that larger concessions might be obtained.

It is believed that the difficulties about which this case centers would have been avoided if the manager had negotiated with the business agent and other union officials and had endeavored from his standpoint to strike the best bargain possible. A settlement won after prolonged and arduous effort would have been a trophy for this business agent to present to his constituents for which in turn they would have re-elected him. A union leader satisfied with an easily won concession is courting strong opposition from rivals, who can denounce his "mildness" in order to advance their respective personal ambitions.

August, 1926

J. W. R.

OVERTON COTTON MILLS¹

MANUFACTURER—COTTON CLOTH

LABOR UNIONS—*Working Rules—Amount of Work to Be Done by Members.*

A local craft union levied a fine upon a member who, to aid a crippled brother at work in the same plant, exceeded the amount of work done customarily by other members of the organization. The member refused to pay the fine. After protracted negotiations, he was allowed by the union to continue his exceptional efforts on the ground that his motive was fraternal affection and not desire for increased personal earnings.

UNION RELATIONS—*Retention of Employee Despite Union's Request for His Discharge.* The superintendent of a cotton grey goods mill was asked by a local loom fixers' union to discharge a crippled Portuguese bobbin boy who was being assisted by his brother, a loom fixer in the mill. To help his brother, the loom fixer worked with exceptional diligence during regular hours and frequently worked overtime without compensation, thus, it was alleged, undermining union standards. The manager stated that the brothers' work was being done satisfactorily and that, therefore, he would not disrupt their arrangement. The union, controlled by French Canadians but containing many Portuguese, fined the loom fixer. The loom fixer refused to pay the fine. The issue then was referred to the president of the national union with which the local union was affiliated. That official, by pointing out that the motive of the Portuguese was fraternal affection and not personal gain, persuaded the local union to rescind the fine and to permit the working arrangement between the brothers to continue.

(1919)

A local loom fixers' union, in 1919, levied a fine of \$100 upon a member on the ground that the large amount of work he was doing was undermining union standards. This man did his regular work and also helped with the work of his crippled brother; both brothers were employed by the Overton Cotton Mills. The disciplined workman ignored the fine, and this further aroused the antagonism of his fellow unionists. Practically all the men of this craft in the locality belonged to the union. The controversy threatened to develop into a strike. If the loom fixers at the Overton Cotton Mills struck, those mills soon would have to discontinue weaving and prior operations.

The Overton Cotton Mills, which manufactured cotton grey cloth, were located in a New England city in which the principal

¹ Fictitious name.

industries were textile and metal manufacturing. Mr. John Northrup was agent² for the mills, and he was permitted a large degree of autonomy in his administration. Northrup had been associated with the Overton Cotton Mills for 30 years, having begun his employment there as a common laborer. During the 12 years that he had been agent he had established cordial relations with the 1,800 employees. He had conferred with union representatives of the employees upon many occasions, but he ran the mills on an open-shop basis.

The local loom fixers' union involved in this case had been formed about 1890. In 1904 the membership had voted to affiliate with a national textile operatives' union, which just had been organized. In the 30 years of its life, the local union had acquired a strong position. Not more than a half-dozen loom fixers in the city were thought to be outside the union in 1919.

Internal affairs of the local union had not been tranquil; the principal cause of difficulty had been the increasing number of members of southern and eastern European origin. Although at the outset probably 60% of the members of the local union had been French Canadians, in 1919 French Canadians made up but about 40% of the union's membership. For a number of years prior to 1919 they had been jealous and fearful of losing their dominant position in the organization.

The president of the loom fixers' union in this city, Joseph Charles, had worked four years in the Overton Cotton Mills. Charles had been president of the loom fixers' local union since 1914, and he had become well acquainted with Northrup in the negotiations and conferences to which both had been parties after that time. A mutual respect existed between these men. Charles had urged the following demands upon Northrup many times: (1) none but union loom fixers in good standing should be employed by the Overton Cotton Mills; (2) loom fixers should not be asked to do other than loom fixers' work; (3) not more than two apprentice loom fixers should be employed by the Overton Cotton Mills at any one time; (4) all apprentices should be proposed by the union. Northrup had been unwilling to grant these demands. One of the nonunion loom fixers in the city was em-

² The position of "agent" in a New England mill corresponds to that of "superintendent" in factories generally. He is the official responsible for manufacturing operations.

ployed by the Overton Cotton Mills. Northrup had not felt obligated to adhere to union limitations on the number of apprentices. Five apprentice loom fixers usually had been employed by the Overton Cotton Mills.

During the World War, manufacturers generally were confronted with a labor shortage. Available labor was particularly scarce in the city in which the Overton Cotton Mills were located because of the rapid growth of two firms located there which were producing entirely on war contracts. At the peak of activity, those plants employed about 4,000 persons. In recruiting their forces they were obliged to offer relatively high wages, and they hired many workers who ordinarily would not have been employed in similar work. The rate of turnover among the employees of the Overton Cotton Mills was relatively low in 1917 and 1918.

The loom fixer in the Overton Cotton Mills who was fined by the local union was a Portuguese by the name of Frank D——. Frank was hired in 1911 as a weaver, and at an early date his faithfulness, industry, and mechanical ability were noted by his foreman. Several years after his employment, he was assigned to learn the trade of loom fixing, and Northrup regarded him as one of the best mechanics in the weaving department. Since he had learned the trade, Frank had been a member of the loom fixers' union in good standing.

When the war industries were recruiting labor, Frank wrote to a younger, crippled brother in Portugal and informed him that he would be able to get work in the same city with Frank. Frank sent funds to his brother, Tony, to make the trip to the United States. Prior to this time, Frank had hesitated to encourage Tony to join him because he feared that Tony, who was a hunchback, would not be able to support himself. Early in 1918, Tony arrived in the city and was hired by one of the firms making war supplies. His work was a standardized bench operation which permitted the operative to be seated.

In December, 1918, the United States War Department canceled its contracts with the plant that employed Tony, and he was among the first employees to be released. Tony sought work in the city for two weeks unsuccessfully. Then Frank asked Northrup if Tony could be employed by the Overton Cotton Mills. In their interview, Northrup stated that he thought that Tony would

be unable to fill the jobs that were open to a boy of his age, and that Tony could not earn the current rate of wages. He said that he would think the matter over, however, and asked Frank to come in again in a few days.

After several days Frank called on Northrup again and suggested that Tony be hired as a bobbin boy, delivering weft or filling to the weavers. Frank said that he recognized that Tony could not do the work ordinarily expected of a bobbin boy, but that he, Frank, would guarantee that Tony's work would be done properly. Frank said that he would help Tony "on the side" and that if his (Frank's) section of looms failed to produce as it had before, Tony should be released. The agent noticed that the brothers were fond of one another, and he thought that Frank might become depressed and indifferent toward his work if they were separated. The agent, therefore, accepted Frank's proposal and hired Tony as a bobbin boy.

By being unusually diligent, Frank was able to maintain his looms in proper working order and also to assist Tony. Frank carried the heavier burdens for his brother, and frequently worked during a part of the noon period. Contrary to his expectations, Northrup found that Frank's section produced above the average output of the sections in the weaving department.

Several weeks after Tony was hired, Charles, the president of the loom fixers' local union, called on Northrup and protested against the arrangement between Frank and Tony. Charles asserted that Frank rushed out to the quilling room and seized the best filling for Tony's section, and that weavers in other sections had to take what was left; also that Frank worked during the lunch hour and overtime without pay, and thus undermined the working standards of the mills. Charles protested against Northrup's "encouraging a loom fixer to do bobbin boy's work as well as his own." Charles told the agent that the other loom fixers were indignant because of the way Frank was acting and that the best way to avoid friction in the matter would be to release Tony. The agent refused to discharge Tony and said that so long as the work of the two brothers was performed satisfactorily, he would not interfere and "take bread out of the mouth of a cripple."

Several days later Frank told Northrup that several members of the loom fixers' union had told Frank to "put Tony at selling

papers" or "at work that does not break down union standards." Frank asked the agent for advice in the matter, and the agent replied that Frank had to make the decision. The agent added that the management was satisfied to have the brothers cooperate in doing their work so long as results were up to the standard.

The case was discussed at the meeting of the union several days later. Frank attended this meeting. He was asked to put Tony at other work, but he refused, stating that if he did not help his brother the latter would have to return to Portugal, and that that would be a sad experience for him. Frank stated that the arrangement was a private matter, and that if he were interfered with by union men, he would withdraw from the organization. The Portuguese members who attended the meeting supported Frank, but his remarks were hooted by others. The president of the union did not force the issue that night. He suggested that the case be held over until a final appeal was made to the agent to accede to the request of the union relating to "the infraction of union rules in the Overton Cotton Mills."

Charles called upon Northrup the next day and again presented his arguments against the arrangement with Frank and Tony. He said that Frank was "radical," "a hard man to handle," and "a dangerous employee." Charles repeated that the other employees felt bitterly about the case and concluded with the remark that Frank's "incurable spirit tended to undermine the strength of the union and to destroy the discipline" which the organization had maintained among its members. Northrup admitted that the union had been a conservative force among his employees and stated that he had no desire to weaken its influence for good. He said that he had noted with satisfaction that the union had successfully withstood "boring from within by radicals." He referred also to voluntary service rendered the mills several years before when members of the union guarded the premises during an era of lawlessness. Northrup stated that the union was going "too far" in this case, however, and that he would adhere to his former opinion regarding the issue. In concluding the interview, Northrup stated that he was going to be out of town for about a month and suggested that the matter be left in abeyance during his absence.

The same day Frank came into the agent's office and told him that the union was bringing pressure to bear upon Tony and him-

self. He said that the union wanted to get Tony out of the mill and that he hoped the affair would not lead the company into any labor difficulty. Frank appeared to be angry with the union and said that all the Portuguese in the organization would secede in a body, if the union forced Tony out of work. In the course of his remarks, Frank said that if the loom fixers struck because of Tony and himself, he would guarantee to furnish a sufficient number of men to keep all the looms in operation. Frank said that his fellow countrymen would leave their work at other mills to report at the Overton Cotton Mills at his call. Frank mentioned that the Portuguese and men of other nationalities from southern and eastern Europe in the loom fixers' union were continually given to understand by the French Canadians that the latter were in control of matters. Northrup wished to avoid any trouble between the several nationalities in the plant, and therefore he told Frank not to say anything about the matter.

Shortly after the agent had left town, a meeting of the union was held, and Frank's case was discussed again at length. At this meeting the French Canadians made up a majority of those present. The president of the union, Charles, called the vice-president to preside and, taking the floor, urged the members to defer action on the case until Northrup's return. This proposal was hooted by the French Canadian faction, and one of their number remarked that a final appeal had been made to Northrup and that further parleying with him was useless. This speaker then proposed that Frank be fined \$100 for violating union rules. After a heated debate the fine was voted by a small majority. Next day, when Frank was notified of the union's action, he refused to pay the fine.

No steps were taken by the union to discipline Frank until the agent returned. At that time, Charles called on Northrup and related the happenings that had transpired in Frank's case. Charles said that only the strongest efforts on his part had prevented a walkout of the loom fixers employed by the Overton Cotton Mills. Charles pointed out that Frank was obstinate about the fine and that each day the issue was allowed to drift afforded certain factions the opportunity to criticize and belittle the union. Charles said that the laxity shown in the case was creating the impression that the loom fixers were undisciplined and their administration weak-kneed. He urged that Tony be

discharged to avoid trouble, his reason being that Frank's refusal to be disciplined would automatically expel him from the union, and that the other union loom fixers would not work with an expelled member. Charles pointed out that working with a man who was not and never had been a unionist was an entirely different thing from working with a man who had been "thrown out" of the union. Charles said that the position and past services of the union should induce the agent to conserve its reputation and strength. The union leader conceded that Frank was a good workman, but argued that this fact practically assured Frank a job elsewhere, so that should Frank leave because of Tony's release no great harm would be done. Referring to Tony, Charles said that the boy had not come to the United States until abnormal conditions made it likely that he would secure work, and added that since those abnormal conditions had passed he should not now be a pretext for undermining union standards.

In reply, the agent said that the union had disregarded his request to let the matter rest until he returned from his trip and that he felt like washing his hands of the affair. He stated that pressure of other matters compelled him to ask Charles to see him two days later, when he would give Charles his final decision.

At the meeting two days later, Northrup proposed that the issue be referred to an official of the national textile workers' union for final settlement. Charles agreed to this proposal. Shortly thereafter, the official of the national union reviewed the case and ruled that the fine was exorbitant and that the motive of the Portuguese justified an exception from usual procedure in cases of infractions of union rules or standards. Frank and Tony were allowed to continue their arrangement.

COMMENTARY: The basis of the union's opposition to Frank's efforts to help his brother is clear. The union desired to limit competition among its members, that is, competition in service rendered by them. The argument of the unionist in this case would be that had the agent wished to, he might have used the effort put forth by Frank as a new standard of performance, or as a basis for a ruling that loom fixers should be responsible for more looms than the number they previously had kept in order. The union work standards involved here endeavored to fix the amount of service that was to be rendered by union members for a given union wage. Those rules were really service specifications, intended to govern competition between sellers of labor.

The union membership, made up of loom fixers from various mills in the city, did not wish to run the risk that Northrup might use Frank's exceptional efforts to help his brother as a means for exacting a larger amount of work from each loom fixer in the Overton Cotton Mills. They reasoned, no doubt, that an increase in the duties of loom fixers in one mill would be followed by a similar increase in the duties of loom fixers employed by other firms in the locality.

The members of the union did not discriminate between the motive that actuated Frank in this case and a desire for more wages. Usually an employee who does more work than the standard established by a labor union makes the exceptional effort in order to increase his earnings. It is plain that Frank was actuated primarily by fraternal affection and not by a desire to increase his personal earnings.

The issue was not sufficiently important to justify a test of strength between the union and the employer. In submitting the case to a third party for adjustment, neither side confessed weakness. The strength of the union lay in its control of almost all the loom fixers in the city, and in the strategic power of the loom fixers in a cotton mill. A strike at the time, 1919, probably would have caused a large financial loss to the Overton Cotton Mills. Frank's idea of his ability to furnish the mills with loom fixers might have been exaggerated. In any event, the hiring of strike breakers would have been highly disadvantageous to the mill management. Strike breakers would have been of uncertain competency; one nationality, the Portuguese, probably would have predominated; the presence of such a group might have led to irresponsible mass action at some subsequent time. The mill agent apparently did not wish to disrupt the union, but was willing to deal with its officials as spokesmen of the loom fixers in his employ.

The mill agent's strength lay in his reputation as an employer, and in the soundness of his motive in assisting Frank and Tony. Other factors in the agent's favor were: the fine levied on Frank was exorbitant; the union was not united with regard to this penalty; the division of opinion among its membership coincided with factional lines which previously had weakened the organization.

During his 30 years' association with the company, the agent had had personal contacts with many employees. Those contacts doubtless had fostered employee confidence. The agent, moreover, realized the value of conferences. He did not take hasty or unexplained action in this matter. He allowed the union ample time in which to decide this issue apart from the dissension of nationalities in its membership. Some of the members of the local union who did not know Northrup took action, no doubt, upon an assumption that he might misuse any relaxation of working rules which was permitted in his plant.

It is interesting to note the way in which Charles, president of the union, attempted to prevent summary action in the case, but found himself unable to cope with the mass feeling of the French Canadians against the Portuguese, which became focused upon Frank and his "infraction" of union standards. The real antagonism in this case clearly was between Frank and certain union members rather than between the union and the employer.

No doubt the national union official wished to reduce the friction between the Portuguese and French Canadians in this local union. He knew that enforcement of the fine would increase that friction. He held that Frank's motive was different from that of the individual whom unionists ordinarily have in mind as a violator of union standards. It was probably by explaining that difference that the national official induced the local union to rescind the fine levied in this case, for on that ground the local union could reverse its decision with dignity.

This case illustrates the practice of certain labor organizations in regard to limiting the amount of work regularly done by their members. Such regulations of production may have several purposes. They may be intended to prolong employment and, indirectly, to prevent a glut in the labor market which would affect wage rates. They sometimes are alleged to be defensive measures against the imposition of larger daily tasks which might menace health. They may be defensive measures against rate cutting, the workmen believing that when greater effort is put forth the wage rates will be scaled down, so that after a period the wages paid will not have been increased in proportion to the larger quantity of product turned out. Here the loom fixers probably feared that more looms would be placed under their care and that for the added work they would not be given a proportionate increase in wages.

It is apparent at once that employees' rules to limit work cannot be condemned or endorsed indiscriminately. Each instance must be judged on its merits and in the light of past practice on the part of both employer and employees.

Operatives in a number of textile mill departments are called upon to tend batteries of similar machines. The number of machines of a given type tended by each employee, therefore, is a primary consideration in appraising the difficulty of the job. For this reason, textile operatives are concerned when a fellow worker tends more than the customary number of machines.

In setting up rules to limit work, the employee reasons from his immediate personal problem, and he also shows his acceptance of collectivist ideas. The rules are intended to regulate the individual in the interest of the economic position of a particular wage-earning group.

Unquestionably, from the standpoint of the immediate interest of the manufacturer and of the buyer of the wares, who often is an employee, such working rules are disadvantageous in that they raise costs and limit production. In this clash of interest, however, no particular view is always deserving of the neutral observer's approval.

When the working rules slow down operations to the extent that the workers must put forth deliberate effort to accommodate their pace to the restrictions, the effect upon the workmen is deplorable. The workers' satisfaction in achievement is practically eliminated and they fasten their minds upon the clash of interest in the bargaining process. Thus, work loses its attractiveness and becomes a matter of resistance to, and deception of, the employer. This experience, if prolonged, must be detrimental to the employees' craftsmanship and satisfaction in life.

Working rules restrict competition among employees; the rules often limit exertion and indirectly, therefore, the "supply" of effort. Both of these aims, the restriction of competition and the limitation of supply, have been held at times by sellers of many types of wares and service when, in their opinions, the returns immediately obtainable in a freely competitive market were unsatisfactory.

These endeavors arise because of the present complicated organization of economic life. If each household were practically self-sustaining, efforts to restrict output would not be attempted because they patently would be detrimental to the household's members, the consumers. But at present, people in their activities as producers follow highly specialized callings. They exchange their products or services for money, which, in turn, they exchange for a wide variety of consumable and capital goods. Their interest is directed, therefore, toward the wage bargain and to the relationship between the supply of, and demand for, labor. Because laborers have to negotiate the disposal of their effort, as well as put forth that effort, they sometimes attempt to restrict their effort with a view to obtaining more advantageous terms in its sale. The ultimate consequences of this practice or the consequences of its general application are not given primary consideration.

An inverse relationship of group effort to group advantage is more probable than such a relationship between individual effort and individual advantage. It is conceivable in many instances that, for the time being, the demand for the labor power of a given craft group in a particular establishment is fixed. Should the workers in that group, one among many groups working upon the product successively, increase their effort 10%, the number of them employed probably would be reduced 10%. This immediate result is all-important to the employee whose reserve funds are limited, who may have to learn a new vocation if discharged for lack of work, or who may have to transfer

his home to some other industrial center where his specialized skill is in demand.

If attention is not narrowed to increase of output by some one group, but is directed to the sum of increases within an industry or firm, over a period of time ample to permit of transitions of labor and capital from one employment to another, it may be reasoned that laborers in the long run will benefit through absence of artificial limitations on output. But the wage earner in forming working rules has in mind his own personal, immediate problems and those of his associates—their jobs day by day and their wages week by week.

The reasoning of the wage earner, that of the employer, and that of the economist, do not conflict to the degree that may seem apparent on the surface. The differences in their conclusions result from different assumptions and different relative weights placed upon the diverging interests involved in the problem.

Working rules of the kind presented in this case are monopolistic in character. If applied throughout an industry they may exploit the consumer; if not industry-wide in application they influence adversely the competitive position of the employers in whose shops they are effective. To that extent, the selective influence of competition in bringing forward capable industrial leadership is placed upon an unsound basis. Working rules which limit output tend to cut down the real income of society. At times they must harm the fiber of the individuals who practice them, so that the rules' immediate monetary benefits to those persons are exceeded in time by intangible, but nevertheless certain, losses.

July, 1926

J. W. R.

FORBUSH SHOE COMPANY¹

MANUFACTURER—SHOES

UNION RELATIONS—*Retention of Employee Despite Union's Demand for Discharge.* At a time when a union was gaining prestige rapidly in a shoe manufacturing company's plant, the union committee demanded the discharge of an employee who had reversed his former favorable position towards the union and who had a personal following among foreign-born workers. This man had violated union rules and had refused to submit to union discipline. The plant superintendent, who met the union committee, recognized that the man was not a desirable employee, but he decided to oppose the request because, from his standpoint, adequate grounds for the discharge were lacking.

UNION RELATIONS—*Company's Action to Meet Union Pressure.* A shop committee, whose members were union men, demanded the discharge of an employee of a shoe manufacturing company on the grounds of duplicity in relations with fellow workers and unsatisfactory conduct in the shop. The union had imposed discipline on the man, but he had defied the organization. Because of the company's open-shop policy, the plant superintendent refused to grant the committee's request, since he viewed it as another attempt by the union to discipline the worker. Upon his refusal the committee threatened to strike. The superintendent then referred the issue to the manager. The manager investigated the serious charges brought against this man as an employee, and endeavored to find a basis for dealing with the individual apart from his relations to the union.

(1919)

On Saturday, November 8, 1919, A. Levinson, who was employed in the sole leather department of the Forbush Shoe Company's factory, requested a settlement of his wages because he wished to leave the company's employ. The foreman refused to give Levinson an order for his wages without knowing his reason for quitting. Levinson then went to the employment supervisor. The employment supervisor took Levinson to see the superintendent, but the latter was away from the plant. The employment supervisor talked with Levinson in the superintendent's office. Levinson alleged that the union grievance committee in the department in which he worked and many of his fellow operators had made his life miserable. At that time this union, which

¹ Fictitious name.

was organized nationally, was gaining prestige rapidly in the company's plant. Levinson was much excited in this conference and talked a great deal about his abuse at the hands of his fellow employees. Before the conference was over, he also stated that he had not been getting his share of "centers." It appeared that the piece rate for centers was slightly out of line, so that a worker getting centers could earn more than one who expended the same effort in cutting another part of the hides. Levinson also objected to the sizes that he was asked to cut and said that he had been getting large sizes while some of the other cutters were asked to cut small sizes, which enabled them to earn more than he could earn.

The employment supervisor urged Levinson to remain and take up the case with the superintendent of the sole leather department on the following Wednesday, November 12, when the superintendent was to return.

On Wednesday morning, a conference was held in the superintendent's office. The superintendent, the foreman of the department in which Levinson was employed, four members of the union grievance committee, and Levinson were present. The superintendent heard the case. Levinson repeated the complaints he previously had made in the conference with the employment supervisor. Levinson also stated that the grievance committee of the union had told him not to take anything up with the management except through the committee. The chairman of the grievance committee replied that Levinson was lying; that the grievance committee never had advised him not to take up anything with the management directly. It then developed that the grievance committee objected to having Levinson employed in the department because he had broken union rules. The superintendent suggested to the grievance committee that it was proper for the union and not for the company to discipline a man who had broken union rules.

The conference was closed by the superintendent after he had assured the members of the grievance committee that he would take the matter up with them as soon as he was able to get from the records the facts concerning the assignment of work to A. Levinson. The superintendent asked for two days in which to gather the necessary data.

The following bulletin had been published by the company to explain its policy regarding labor unions:

POLICY IN REGARD TO LABOR UNIONS

1. There are several labor unions in the shoe industry.
2. The position of this company regarding each and all of these unions is *entirely neutral*.
3. The company cannot advise an employee whether or not to join a union or whether or not to join any particular union. This question the employee must decide for himself.
4. The company cannot allow any discrimination against, nor can it favor, any person because of membership in a labor union. The company must do what it believes to be right by *everybody* working here.
5. The company must act toward all employees *according to the facts* in each and every problem. All employees have the right to the same treatment, whether or not they belong to this or that organization.
6. The policy of this company with regard to becoming a union shop *has not changed*. Any statement that the company intends to *compel* employees to join any particular unions is not true.
7. We have not yet been convinced that the company ought to *accept* in their entirety the principles and policies of any one labor union now existing in the shoe-manufacturing industry.
8. This company does intend to avoid committing any aggressive act which is unjustifiably antagonistic to or hastily directed against any labor union.
9. We recognize that the true interests of the company and its employees are identical. We believe that the most satisfactory solution of problems arising in this factory can be had only by frank, open conferences with employees, thus utilizing their understanding of shop conditions.
10. There should be the freest possible opportunity to discuss problems with the company management either:
 - a) Personally direct with the foreman, employment supervisor, superintendent, or general manager;
 - b) Through special committees chosen by the employees in any department;
 - c) Through regularly elected general committees.

If and when such committees are chosen, it is clear that every employee should have an equal vote.

On Friday morning, November 14, the superintendent talked privately with Levinson and told him the results of the investigation regarding the discrimination he had alleged in the allotment of centers. The superintendent also stated his decision regarding

Levinson's status with the company. These points were restated in a conference held that afternoon with the union grievance committee.

The complete record of the conference with the union grievance committee on the afternoon of Friday, November 14, 1919, follows:

PRESENT:

For the Company:

MR. LAWRENCE, superintendent, sole leather department
MR. THOMPSON, planning department
MR. IRELAND, planning department
MR. COOLEY, foreman
MR. SMITH, supervisor of employment

For the Employees:

MR. NEWELL, chairman, grievance committee
MR. KELLEY, member, grievance committee
MR. MOORE, member, grievance committee
MR. O'BRIEN, member, grievance committee
MR. CODY, member, grievance committee

LAWRENCE (M)²: I will tell you what we did in the matter of this man Levinson. I had them make up a complete list since the first of last January of what every single man has had to cut by weeks, and Levinson has had just as good a deal as anybody else, and even a little better; as far as that's concerned he's got no kick on that. He made one or two claims; he said he was cutting "centers" when it wasn't as good a job as "hind shanks." I think that we have been able to prove that "centers," when he was cutting them, were a little better job than "hind shanks," and "hind shanks" now are a lot better job than they used to be. He kicked on his sizes. We got the list for four weeks and he had had two size 7, one 10, one 11; we figured that averaged up fairly well, so we told him that, as far as we were concerned, if he came back to work—this is from the company's standpoint—he would go right in on exactly the same basis as he has been, and could expect exactly the same treatment as in the past as far as the company is concerned, which is what we consider to be absolutely fair and square. He has had just as good a deal as anybody else, and possibly a little bit better. There are lots of fellows who are more entitled to "centers" than that man is at the present time. That settles the matter as between this man and the company; now comes the question between you folks and this man, and I have talked with members of your committee and told them the situation as it looked to me. The company has no grievance against the man. We recognize that he is a fault finder and a kicker, and the fore-

² (M) signifies management representative; (E) signifies employee representative.

man would frankly just as lief that he weren't with us as that he is; but we can't fire a man simply because of that. He is a good cutter; I think you folks will admit that. As I say, the company has no grievance against him. From the company's standpoint there is no reason why the man should be discharged. You folks feel that the man should not be retained in the company's employ and we therefore are asking you people to give us reasons why the company should not retain him.

The other day you made the statement that he had broken the rules of the union, but as I said, that is not something that we can deal with here. If the man breaks the rules of the union, you can do anything to him that you want to as far as the union is concerned, and that's none of our business; but unless he has also broken some of the rules of the company, unless we have a closed shop which, of course, we haven't got, we can't discharge the man. I think the members of the grievance committee agree with me on that basis that you should not ask us to discharge a man simply because he has broken some of the rules of the union, under present conditions. Now, then, what is your side of the case? Why do you folks feel that the company should discharge the man? Just what is your basis for asking it?

NEWELL (E): As a fellow employee down there, I think that he is unfair from every way you take him. He is a trouble maker on the floor, leaving the union part of it entirely out.

LAWRENCE (M): Let's do that, because as you folks agree, he may have broken the by-laws of the union that we, of course, know nothing about. You could fire him out of the union for that; but now, from your standpoint, what has he done that has been detrimental to the interests of the company? Why should we discharge him, from the company's standpoint?

NEWELL (E): I should think, from my part, you have got a foreman in the room, you want to see him obeyed and respected, and he doesn't do it.

LAWRENCE (M): What have you to say about that?

COOLEY (M): The only thing that he has been disrespectful about is when he talks about stock and finds fault. The other day he didn't refuse to do that; he simply quit.

LAWRENCE (M): Hasn't any man a right to quit? I mean, if he isn't satisfied with the way things are going, he can come and say, "I'm through." That is, you can't say he is breaking the rules of the company under those circumstances.

O'BRIEN (E): Well, do you think it is a fair and square deal for a man to quit without notice? When this company discharges a man, they don't do it on a minute's notice.

LAWRENCE (M): No, we expect to give a man a reasonable notice unless there is some good reason why we shouldn't.

O'BRIEN (E): I know, but this man has a grievance against the com-

pany, the company has used him fair and square, he has left your employ at a minute's notice; he was not fair to the company, was he?

LAWRENCE (M): He didn't leave us. He came and said he wanted to get "through." Before we let him go, we went into it. We talked and talked and talked with this man. We wanted to be absolutely fair, but we have told the man, "We don't feel that you have been discriminated against; we feel that we have given you a square deal. As far as we are concerned, if you come back to us it will be under exactly the conditions that have existed."

KELLEY (E): Does he want to come back?

LAWRENCE (M): Now he says he does.

KELLEY (E): That's different.

LAWRENCE (M): Now, I frankly didn't expect he would; but he does. But now what we are putting up to you is, what do you want him to get "through" for? I am going to tell you, as I told one member of your committee, the report has come to us in a round-about way that you people want this man discharged, want him to get "through," because you feel that he has been attending your meetings and then has been reporting to the company what has gone on at the meetings. The only one he has talked with has been Mr. Cooley, and Mr. Cooley states that he has not reported anything. Isn't that true, Mr. Cooley?

COOLEY (M): Correct!

LAWRENCE (M): He has not reported anything. As I told Mr. Moore, we aren't hiring spies; we don't want people to come and tell us things that we are not going to get in a right way.

KELLEY (E): I don't think that charge was ever preferred against him.

LAWRENCE (M): No, it was reported to us through another department. You have never made the charge at all; in fact, you have never made any charge except the general one that you don't want to work with him down there. We want to find out if your reasons are such that they will justify us in not wanting him to work for us.

KELLEY (E): He is unfair to the men he is working with in this way: he wants to get ahead of them and doesn't care if he knocks a man down and steps on him. Another thing, he won't obey the rules of the union or the company, that is, when they both have the same rule. Now in regard to working from whistle to whistle; this man was one of the first that wanted everyone to wait until the whistle blew and to stop when the whistle blew. He was one of the very first men to break that rule. Some of the cutters complained about it and they took it up with him and he got sore. I don't know if that's the reason he quit going to the meetings for a while, or not. At any rate, he absolutely refused to stop doing that thing.

LAWRENCE (M): Did he continue doing that?

COOLEY (M): I don't think that has been done to any extent by anyone since they made that rule.

LAWRENCE (M): We asked all the foremen to enforce that ruling as nearly 100% as possible.

O'BRIEN (E): He is the first person who broke that rule; I spoke to him at that time.

LAWRENCE (M): As I was telling you about this other proposition, I don't know whether you had it in mind or not, I don't know if there is anything in it; but some men in Upper Leather said, "We understand you've got a man who has been playing the spy, and the grievance committee has demanded that he be discharged on that account."

KELLEY (E): I went over there to a conference the other night, and they wanted to know who the spy was. I told them there wasn't any such thing at all.

LAWRENCE (M): Well, those things do get garbled, and while in this case it doesn't enter into it, we want you to know that he hasn't been going to Mr. Cooley with any tales. Also, here in the foreman's instruction book which every foreman, superintendent, and manager is supposed to know, these instructions exist:

It is against the policy of this company to employ informers, spies, plotters, detectives, or other persons for the purpose of reporting to the management on employment problems or labor administration. You are especially cautioned to discourage tattle-tales, voluntary informers, and employees who endeavor to ingratiate themselves with you by reporting the actions of other employees in a disloyal manner.

I want to strengthen the statement I made the other day, that we don't want people to come and tell us things they have no right to tell. We recognize the right of our employees to organize and deal with us collectively; we don't ask them to tell us the secrets they have. We are perfectly willing to have them tell us anything that they feel is fair to them that we should know. I just wanted to get that out of the way. Now, as it stands now, as I told Mr. Kelley and Mr. Moore, you are asking us to discharge a man that we feel we have no grievance against that would make it necessary for us to discharge him. I feel that the man is a trouble maker, there is no particular argument about that. He is not always as truthful as he might be, because we have discovered quite a few statements that he has made that wouldn't stand investigation; but he isn't the only man who is working in this factory that those things could be said of with equal truth. There are some men, presumably in equal standing with your union, that as far as the company is concerned we would be just as much justified in discharging as in discharging this man Levinson; men who have made just as much trouble for us, who are just as much chronic kickers.

KELLEY (E): Yes, but there is another factor to be considered, Mr.

Lawrence. Considering that this man has been a trouble maker and is a trouble maker, kicker, and so forth, there may be others, but the men haven't refused absolutely to work with them, which shows that they haven't been hit directly by these, and they have been by Levinson.

LAWRENCE (M): That's what we want to get. Just what has he done or said to make the men take that attitude? Levinson was in here and I asked him, "What would make all the people in your room feel toward you as they say they feel?" He says he hasn't said anything; he doesn't believe that any of the men feel that way except one or two.

KELLEY (E): We feel that he isn't trustworthy; we are suspicious of him because from the very first he was strong for the union and he wanted everyone else to be in it. For a man to make such a right-about-face as he did would naturally make the rest of the men distrust him.

LAWRENCE (M): I agree with you on that, but that from my mind is from the standpoint of the union.

KELLEY (E): No, as a man to work with.

LAWRENCE (M): Well now, how would those particular points injure you folks working with him? As I understand it, most of the time, this man has had, as far as his fellow employees are concerned, very little to say. Is that the truth?

COOLEY (M): I think so, as a general thing, yes.

LAWRENCE (M): That is, he has gone to the grievance committee or to Mr. O'Brien frequently with kicks.

O'BRIEN (E): I think he runs my job more than I run it myself.

LAWRENCE (M): Well now, has he had much to do with the other men in the room?

O'BRIEN (E): Let me tell you. When we organized this place, they put me as representative in that room. Instead of me acting in that capacity, he acted in it; he made all the prices. I was willing to keep him in good humor if I could. He explained everything to the men. He took the job off my hands and run it. When I didn't give him "centers," and he couldn't get them himself, he went to work and made a kick. He violated the rules that he made himself, that no man should work over eight hours a day. He was the first one. Someone called my attention to it and I said: "Abe, that isn't right. Why don't you do the right thing?" Well, we went to work and we put up with that. He wouldn't pay his dues; we didn't mind about that. We didn't interfere with him one way or the other. Well then, the first thing we knew he paid his dues. Everything was all right. Then he come around to me again and didn't speak to me for a long time. Every day he would come to me and ask me if I wouldn't have him changed over to "centers." I said to him, "Go to Mr. Cooley." He says: "You have more power than Mr. Cooley." I laughed at him, so I kept

putting him off that way. I spoke to Mr. Cooley about it; I says: "I think Levinson is up against it." I says to him: "He's come to me repeatedly and said that he was going to get through." Well, everything went along all right until this Saturday forenoon he come over to me and he really demanded that I should change him to "centers." I see everything was going; somebody told me that he was on the war path. I got to work and tried to get away from him, but he gets hold of me. I says to him: "Just wait for a second and I'll get Cody and send him down to Mr. Cooley." I says: "We'll get it straightened out now." I went to look for Cody. By the time I was back, he was up here in the office. Now, if you people had called that fellow's bluff, he would have been back here Wednesday morning, and we would have forgotten all about it.

LAWRENCE (M): You agree to that?

O'BRIEN (E): Yes.

LAWRENCE (M): What has he done since that time?

O'BRIEN (E): I'll tell you; I've taken that fellow into my own home and talked to him. Told him that he had to work for a living. I said: "It don't make no difference how many times you leave here, you'll come back." He was at my home only last Sunday. He really had no grievance against me, but he has now. Now for as far as the foreman is concerned, of course I'm not going into the detail, but he has no more respect for that man than he has for the dirt on his feet. I know it. I come in contact with all the men and I know their grievances. If the men don't speak to me, I know the cause, what cause they aren't satisfied. I've done it since I have been on the board. As I said before, I have tried to humor him in every way. I said to him: "Your turn is coming; wait. We all have to wait." But, no, he got it in his head that he would go among these Polanders. Down in my heart I have some pity for his wife, but when you people went to work and called him up about the shop committee, it was the biggest bluff I ever heard of in my life. Then these men came up here, and as far as I understand, he says to whoever is up here: "You give me 'centers' and the other fellows will be all right."

NEWELL (E): He made the remark: "Give me 'centers'; give them to a friend of mine, then the rest of the line will feel all right."

O'BRIEN (E): But I will tell you, Mr. Lawrence, if I knew at that time what he said, I'd have gone and got those fellows together and said: "Give them fellows the sidewalks and we'll take the 'centers.'"

THOMPSON (M): I heard that in my office.

LAWRENCE (M): When was this supposed to have occurred?

THOMPSON (M): I should say a little while before the 4th of July vacation.

LAWRENCE (M): What was it supposed to be?

THOMPSON (M): There was a readjustment of prices down there; that was the time we raised "centers" 5% and "hind shanks" 15%.

LAWRENCE (M): It was entirely informal; you just called up a bunch of men?

O'BRIEN (E): No, they were going to have the shop committee.

LAWRENCE (M): That I don't think is correct, because at that time I was in charge of Sole Leather. This must have occurred after the first of June.

THOMPSON (M): I think I asked you, Mr. Cooley, to see the committees. We had a committee of inner sole cutters and a committee of outer sole cutters. How they were picked, I don't know; but I do know that we didn't pick them. Do you remember how they were picked? I think Mr. Johnson picked the three outer sole cutters and the three inner sole cutters.

O'BRIEN (E): Now you see from the start this man has been selfish all the way through. He was working for himself and nobody else, but when this man was in trouble, he come to me just like the rest of them.

NEWELL (E): There is another case there. One time this summer, two men had a mistake in their pay; they were short something. They told the grievance committee; the grievance committee took it up, and didn't make much headway, and those two men came up to the office and fixed it up. But Levinson at that time said they should be suspended or something because they had broken our rules. We had to get those fellows to come up there and state just why they did that. He can do these things as he sees fit. The other day he made the statement in the hall that we were up here in the office and that we were going to pack that room with French and Irish. Just look at that for the way he makes things up. Yesterday he was going out and one of our fellows came up, just to make him believe that they don't know anything about the case. They said: "What's the matter?" He says: "That case up there, I'll have to be paid until it's settled."

LAWRENCE (M): He has never been discharged. We asked him to stay yesterday, and while we kept him waiting we said we would pay him.

O'BRIEN (E): Mr. Lawrence, we haven't any hard feelings against this man.

LAWRENCE (M): Why didn't you just kick him out of the union and let him go on working down there without belonging to the union?

O'BRIEN (E): That's up to the men, not up to us; they have taken that stand now. He is a fellow that can speak Polish, and he's the fellow that organized it, practically the whole Sole Leather, amongst the foreigners. He was the first man to congratulate me when I joined. He joined even before I did. Now he says he was trapped into it. Instead of this, he has trapped us into it. Now he is

getting a taste of his own medicine. He thought by putting me on this committee that he could get the cream.

LAWRENCE (M): Well, as far as you are concerned, if he is out of your union, he can't bother you at all with his grievances, and as far as we are concerned we haven't offered him any sops or anything of that sort to come back. We told him right here that if he comes back he comes just exactly as he left.

O'BRIEN (E): What did he leave for?

SMITH (M): He felt that he was being discriminated against.

LAWRENCE (M): Well, he told this first—

O'BRIEN (E): But how often has he been discriminated against? About every three months?

LAWRENCE (M): I guess that's the truth.

O'BRIEN (E): Now you know, that place is more or less among the men. Now if he is allowed to do that as he has been doing it, you will have every man in the department doing the same thing. They come to me and say: "Well, if this fellow can do that, why can't I do it?"

LAWRENCE (M): What are we getting out there?

O'BRIEN (E): That isn't it. The point is this: if you allow this man to come back, you are going to allow your whole department to dictate to the foremen what they shall do and what they shan't do.

LAWRENCE (M): We have told him right in here: I said, "You come back just exactly as you started out, and if the foreman says that you are going to cut "hind shanks" for any length of time he wants you to, you are going to do it, and if the foreman sees fit to give you any run of sizes that is necessary, those are the sizes that you are going to cut." He goes right back on exactly the same basis. We didn't promise a thing; we didn't guarantee a thing; we didn't say that we were going to do a thing different for him now than we did before. He told me that he had a grievance, that the company discriminated against him. We say we haven't. We said: "If you stay at work, if you are not satisfied with that, you can go." He said: "I guess I will come back."

O'BRIEN (E): Are you going to allow this to go on every now and then? Do you know what it will cost you?

LAWRENCE (M): I know we don't like it, but there are a lot of others just like Levinson.

COOLEY (M): I don't think that there are many in the room that make complaints more than they ought to, but there aren't so many that come through to the office.

NEWELL (E): That man Levinson knew absolutely Saturday forenoon, when he said: "It's all off." He knew the game was up, he knew he was wrong.

LAWRENCE (M): Of course I wasn't in on it Saturday morning.

NEWELL (E): Well, he knew the game was up. He wasn't allowed to

go. He played the game fair at that point, but since then he has gone back. Those men down there feel that he is an undesirable man to work with, and they don't want to work with him. There is 100% of that room feels that way.

LAWRENCE (M): Is that true of the Poles?

NEWELL (E): We are organized to that extent in that room, and every man has pledged his individual vote. It can't be changed.

O'BRIEN (E): If he had played the game fair and square and gone out and come back, as he naturally would, this thing would have been all right.

LAWRENCE (M): But look, as I understand it, the supervisor of employment was the one who induced him to come back. He got after him and insisted that he must come back.

O'BRIEN (E): Yes, but that's a poor policy.

LAWRENCE (M): But you can't blame it on the man. Why can't you people decide that you won't have him in your union but that you will give him another chance to work? It's enough to put him out with the winter coming on.

CODY (E): If you let him off, the others will try the same thing.

LAWRENCE (M): There must be some disgrace in being kicked out of the union.

CODY (E): Working on his job, he probably could stand most any kind of a disgrace. I never heard of such a case before, where a man has kicked so often and even said that he wouldn't cut the stock again and the company still kept him.

NEWELL (E): It isn't fair to us to compromise there.

CODY (E): I never heard of such a case as this. He will speak to me for a while, and then all of a sudden he will get mad and start kicking to me. Then he stops speaking to anybody.

O'BRIEN (E): Sometimes he won't speak to anybody in the room. It makes it disagreeable all around. We haven't got any grievance against the fellow. As I was telling the foreman the other night, "I'm sorry for his wife and children, but you have got to teach him a lesson." If he is any kind of a man, we are willing to listen to the fellow, to give him a fair and square hearing; we are human, and if we can come to a conclusion that the man has had enough of this, perhaps we can straighten things out.

CODY (E): I know myself that he is a man with a family, but just the same I, myself, am dissatisfied sometimes. When I was on "hind shanks" I wondered why I didn't get "centers." I didn't go to anybody about it, but this fellow kicked so often and he has quit a few noon times since I have been here. I should think that you would give him a lesson and tell him that if he don't like his work, to "get out."

LAWRENCE (M): That's what we practically told him, but he didn't.

O'BRIEN (E): Mr. Lawrence, look here; you know that in a week or

so if he don't come he will send his wife. You know what a man will do with a family. We would take the thing and straighten it out. But if he is going to take the attitude he's taken now and be so damned stubborn, somebody's got to show him his mistake.

LAWRENCE (M): How do you think we are letting him down? He says he is getting through because he isn't getting a square deal. We haven't any concessions to make whatever; we said: "If you want to get through, you can get through." He said: "I want to stay."

NEWELL (E): What was the reason for giving this man more than a square deal? What was the object?

LAWRENCE (M): No object at all. These figures are something we have compiled since last January. I say it is just, on the basis of the figures as they stand. The foreman is trying to line the thing up; there isn't a great deal of variation, but he has had a little more than his share of "centers" and a little less than his share of "hind shanks." We say, "We won't agree to take you off 'hind shanks' and put you on 'centers.' Other fellows are entitled to 'centers' more than you are." So if he's had more than his share, it is being made up at the present time.

O'BRIEN (E): What is his idea of wanting to come back on the same basis that he left?

LAWRENCE (M): That I don't know. I should say that we have called his bluff and he's decided he isn't going to get through after all.

O'BRIEN (E): I wish you had called it last Saturday.

LAWRENCE (M): We didn't have this dope last Saturday.

KELLEY (E): Why is there so strong a desire for the company to have this man?

LAWRENCE (M): There isn't.

THOMPSON (M): The only point was, we need cutters.

LAWRENCE (M): Of course, that's a fact; we don't want to lose anybody that we haven't a really good cause against.

O'BRIEN (E): Why don't you put on two of your old cutters?

LAWRENCE (M): I know they've taken it up, and some names have been given to the supervisor of employment. The way I feel about this is that we have called his bluff. We are not wildly anxious to have this chap working for us. But as I say, as I told two members of the grievance committee, there is a principle involved; that is, you people have brought up this point, that your union didn't like this man, they don't want to work with him. The company hasn't any grievance against him which would justify us in discharging him; therefore, it brings it right down to this story. The union is asking us to discharge a man that we have got no cause to discharge. The union feel that they have a just grievance against him, as a union. This brings up the principle of the closed shop. I am not arguing for Levinson at all, I am just sticking up for this particular principle.

NEWELL (E): The union has done just the same thing the company is trying to do now. They should have brought it up weeks ago.

LAWRENCE (M): Why don't you kick him out of the union? He's done this against the union.

NEWELL (E): He is kicked out.

O'BRIEN (E): He's done this against the firm too. Why don't the firm kick him out?

LAWRENCE (M): We don't feel that we have sufficient grievance.

O'BRIEN (E): He has done this repeatedly. As I say, perhaps this thing in a couple of weeks from now—I don't know how the men feel about it, but I naturally feel myself for a man's wife and children.

LAWRENCE (M): We don't care a thing about the individual in this particular case. He is a kicker and a trouble maker, but there are lots of others in the plant. But we feel, as I say, from the firm's standpoint there isn't any real grievance against him. I thought you people might bring up some point that we could say, "That man has done something that justifies us in putting him out." We have got to defend this particular case, not only against you people, but against the management of the company. They are going to come back at us and say: "Why did you discharge that man?" We have got to say: "The union insisted that they wouldn't work with him. We haven't got anything particular against the man." Isn't that really the situation? Look at it from my standpoint.

O'BRIEN (E): Yes, but the men won't take that standpoint, and they all agree not to work with him. Don't you think you have a good grievance just the same as we have, that the man shouldn't work?

LAWRENCE (M): I honestly don't feel that the grievance you folks have against him justifies us in going so far. I feel that as far as you folks are concerned you ought to be satisfied with putting him out of your union. Say: "You haven't played the game with us as a union, and we don't want you to belong to the union any more."

O'BRIEN (E): Well, if he comes back, it is just like you put a snake in the grass and it crawls around and it could make a lot of trouble for you and the rest.

LAWRENCE (M): He's already doing that, as far as that's concerned.

O'BRIEN (E): But wouldn't it be better for you and for us to have the man out for a while? I've no doubt but we are all human, if it comes to that. If a man comes to us with a tale of woe, we fall for it. We are playing the game fair and square with this fellow.

LAWRENCE (M): Yes, I think you are. I'm not arguing in favor of the man as far as anything that you folks want to do with him is concerned. I haven't any question but that he has merited discharge from the union. Now we have called his bluff as far as the company is concerned. He said he was being discriminated against; we've told him that he wasn't. He said he was going to get through

because he hasn't had a square deal. We say: "Here, you have had. These are the facts in the case. If you want to work with us on the same basis exactly, all right. If you aren't satisfied, get through." And he decided he wanted to work.

NEWELL (E): Mr. Lawrence, just look at what an unfair proposition it is, one man up against a room of that kind, and every few minutes to go and kick up a rumpus and then you say: "We haven't got a thing against you, Abe, you're fine and dandy, go back to it."

LAWRENCE (M): We don't say that.

NEWELL (E): It comes down to that. He don't do it himself; he will suggest a committee to do this and a committee to do that, and so forth, all that stuff.

LAWRENCE (M): Well, can he do that from now on?

NEWELL (E): When he's in good standing in the union, yes. He is not in good standing now, while he is acting this way.

LAWRENCE (M): If you've fired him out of the union, how can he do this now?

NEWELL (E): Well, he can't now.

O'BRIEN (E): If he comes back again, he speaks Polish, and of course naturally he will get around these Polish fellows. I can imagine what he'll say. Now you know, take those Polish fellows, some of them are very easily led, and what he will naturally say to them will cause unrest among the whole. He was the biggest man in our union; he had more power in the union than any man up here. We sent that delegate off to New York, he was the fellow that sent him. But he was foolish enough to give it up. He could have run that union and nobody would have said a word. He had it all, but he let it slip through his fingers.

MOORE (E): There is one thing I'll predict, that where you lose only one man now, later on there will be so much trouble that you will lose more than one.

KELLEY (E): I should think, Mr. Lawrence, that when a man comes to the office and says he wants to get through without any notice, that's one more thing against him. Then when you find out that he is entirely wrong, that he hasn't really got any kick, you show it to him in figures; in the meantime he changes his mind and wants to come back. A man of his disposition, that has been a trouble maker to the company and the men he is working with; I would think that was cause enough to let him go when he put such a bluff as that, and when you called it you found he didn't have any; and also consider the fact that his coming back under any conditions is going to stir up a lot of trouble among the other men who are peaceable. I should think that would be considered cause enough.

CODY (E): I should think that would be sufficient warrant to discharge

a man, when he comes up and claims the company has discriminated against him and refuses to cut the stock.

O'BRIEN (E): Well, now, to settle your argument, we would take the clerk in the office and the assistant foreman and the foreman and the instructors and see how they vote.

NEWELL (E): Really, Mr. Lawrence, there isn't any need of coming to it unless you come to a show-down. If he comes back, they will go out. That's sure. We haven't got the right here for us to say what they will do. I've sent in his case to the district office. The other locals are watching our action; we can't back down now.

LAWRENCE (M): I'll tell you; the principle involved is very important. I feel that if it is left to me, I can only decide in one way. I wish I could decide the other way, because we don't want trouble. We are going to have this conference next Tuesday night, at which it might not be improper that a case of this sort be discussed. As I understand it, your national organizers are going to be present. Why not make this case a case to be discussed at that time?

NEWELL (E): He hasn't any authority.

LAWRENCE (M): Just to get their opinion on a case of this sort.

NEWELL (E): You see, we've got our by-laws to go back to.

LAWRENCE (M): But how can your by-laws say that a company must discharge a man in a case of this sort?

NEWELL (E): I don't say anything about the company.

LAWRENCE (M): You have taken all the action that you can take in regard to the man by kicking him out of the union, haven't you? There is nothing in the by-laws of the union, is there, that can require the company to discharge the man?

NEWELL (E): We can't require it to discharge him, but we do say that if he returns to work you won't find our men at work with him. Just as soon as he goes to the machine, the rest of them goes out.

O'BRIEN (E): I think it is a shame in a man of his disposition.

NEWELL (E): We don't care if he is discharged or transferred or what it is; get him out of our way.

LAWRENCE (M): He knows your attitude, I told him.

O'BRIEN (E): And still he isn't man enough to say: "As long as they feel that way, I'll quit."

CODY (E): It isn't the cutting room alone that will go out, it is all Sole Leather.

O'BRIEN (E): Do you know what we are going to go up against? We don't want to go up against this. That's the last thing in the world that we would ever think of attempting. We are looking for peace, and peace we will get.

LAWRENCE (M): Well, there is no advantage to either side in a proposition of this sort, and absolutely nothing to be gained by either side in the matter.

O'BRIEN (E): No, we are all going to lose, I think.

MOORE (E): I've seen a case in an open shop, where they didn't have any union whatsoever, in St. Louis it was. A cutter, an outersole cutter, known all over the city of St. Louis and no one like him. He was a bad man to work with. And one firm knew he was a fast man, so they hired him and paid him more money than the rest of the cutters were getting. They found out that he was coming, and they got together right off and they agreed that if this man went to work, they would not. So he went to work and they all stopped. The foreman didn't know what the matter was, and they told him. They removed him in five minutes. I know that for a fact.

LAWRENCE (M): Yes, that's a little different case; they didn't have any union there. Here is another case; you remember this chap that was coming back to work down in this same room that they accused of being a slacker and we didn't put him on because we said that was a justifiable reason. We felt that he should not, the evidence justified us in saying we don't want a man like that, an unpatriotic slacker working for the company. So we are willing to, in any proposition of that sort—discounting the union side of it altogether—if we feel we are absolutely justified in firing a man because he is a disagreeable individual that we don't want to have working for us, and you folks don't want to work with, we do feel justified in laying the man off. But I am not satisfied yet that you folks are really justified in taking the stand that you take.

MOORE (E): I don't know how he could be much worse.

LAWRENCE (M): Well now, what are some of the other things that he's done? Mr. O'Brien said that if he had gone home last Saturday and stayed home and thought it over, and come back to work on Wednesday, it would have been all right. What has he done since then?

KELLY (E): He's given all the rest of us a chance to think.

MOORE (E): I think he is a traitor. He is disloyal and he has broken pledges.

LAWRENCE (M): Yes, but isn't that to the union?

MOORE (E): He's caused trouble to the company, he's put the company to a lot of trouble and a lot of expense, in various ways. And he will still do that and more.

NEWELL (E): It's all the union out there; all the help in that room are organized 100%.

MOORE (E): You'll make trouble if he comes back.

NEWELL (E): Just as soon as he comes back there will be trouble.

O'BRIEN (E): Don't you think that's evidence enough for a man that will try to make trouble one thing and another among the people? He had no kick coming; he is willing to come back on the same basis that he was before. Why didn't he stay on the job?

LAWRENCE (M): We called his bluff, that's the trouble.

O'BRIEN (E): But if you'd called his bluff that day, everything would have been all right. You must take that into consideration.

NEWELL (E): He seems to be getting anything he wants from both the firm and the union. He's getting by all the time. Everybody is stretching a point for him.

LAWRENCE (M): We are not stretching any points for him at all. He comes up here, has a kick against the firm; we call his bluff, he hasn't any kick against the firm, he can go back to work on the same basis as before.

O'BRIEN (E): Why does he want to come back?

KELLEY (E): Why do you want him to come back?

LAWRENCE (M): There is a principle involved there.

KELLEY (E): Why isn't it a good principle to have agreeable men in the factory?

LAWRENCE (M): A darned good principle. I'll tell you; I want a chance to go over this with the foreman and some of the others. We will agree not to put him back tomorrow morning, we will see you again before we do anything more about it. Just let the matter rest. That is, we will not put him back to work until we have gone over the matter again. In the meantime, I would like to have you folks think it over and see if you won't be willing to stretch a point. We will agree to give him a talking to, tell him where he gets off as far as we are concerned; we understand he has been disagreeable and we don't propose to have any trouble maker make trouble with us; see if we can't reach some conclusion that will be satisfactory to both sides.

KELLEY (E): There is considerable tension right now; it won't take much to snap a string.

CODY (E): It isn't just one room, it's the whole sole leather department.

O'BRIEN (E): I took very particular pains in this case, I approached this fellow and I stated the facts to him, told him who he is and what he is. He told me, "That fellow is a fool." This man is a business man. He says to me, "Why didn't you kick him out?" I says, "We can't do that, but I would like to have one of you fellows talk to him." He says he wouldn't have anything to do with a man like that. He is a man you can't approach to talk to at all. While you give him the good work, as he says when he come up here on that committee. "You give me centers and I'll be a good boy." But give him something else and he wasn't a good boy.

CODY (E): He's got the idea, I guess, that he can run this job; he's come up here so many times and got away with it that he thinks he can get away with it forever and ever.

O'BRIEN (E): I told the foreman that this union would stand back of him 100%; is that what I told you, Mr. Cooley?

COOLEY (M): Yes, sir.

O'BRIEN (E): Anything that goes wrong in that room that Mr. Cooley don't think is right, he's got his committee and we will handle it. We know it is an open shop, but we will stand back of him 100%. Of course, he is not perfect, like the rest of us. You see we are working with him.

LAWRENCE (M): We appreciate the way you people have worked with us; we haven't any complaint to make as far as that's concerned.

MOORE (E): In a condition like that, where the foreman is perfectly fair and square, a man of that type, I think a man that would act like Mr. Levinson has is a man to be discharged by the company because he hasn't any chance for a kick under those conditions, that I can see.

O'BRIEN (E): Up in the hall one day we were discussing this cutting, and Levinson says, "I don't want the boss behind my machine." Well, now just think, a man that's got such a swell head as that. Mr. Cooley knows more in two minutes than us fellows do in our whole life. There's a fellow's got a swell head, he says if the boss comes behind his machine, he would tell him to get out.

COOLEY (M): He never did.

O'BRIEN (E): No, but I say, that's a man that will make all those funny statements. Well, I used to pat him on the back and tell him what a good cutter he was. I would do anything to keep him in a good humor. I think, myself, if you give the fellow a little taste of his medicine it's the right thing to do.

CODY (E): I don't really believe it will do to have him come back to work now until it cools down. The fellows have made up their minds they won't work with him.

O'BRIEN (E): Of course, he'll do the same thing over again if he ever comes back. You know that anyway.

LAWRENCE (M): Well, I'll tell you; I want to talk the matter over with the foreman and Mr. Thompson and some of the others. We will agree not to put him back on the job tomorrow; we will certainly notify you before we do that. Let's continue the meeting some time tomorrow, I'll let you know just exactly when we will get together again. You people think the thing over, see if you can arrive at any definite basis or proposition you would like to have us do, and we are going to think it over and see if there is any basis we can suggest that will permit us both to settle this thing in a satisfactory way. Is that agreeable to you folks, for the time being?

NEWELL (E): I'll say this: I don't like to see this come to a show-down now, but it has come to the point. It is too bad, honest, but there is no use trying to smooth it over.

LAWRENCE (M): We are not necessarily trying to smooth it over; we are trying to see if there is some way to settle the thing.

MOORE (E): I wonder if you could keep him off for a couple of weeks?

IRELAND (M): I was going to suggest the same thing; to tell Levinson he was being punished for his actions and couldn't go to work until a certain date. Wouldn't that cover the whole thing? Give him, say, two weeks' vacation?

LAWRENCE (M): Well now, look, Mr. O'Brien has said that he feels that the man has got something coming to him. I guess he has. You feel that if a little later on he came around and asked for a job, you folks would be able to fix it up. Couldn't we arrive at some definite understanding?

O'BRIEN (E): What I meant is this: If later on that man should come around to us and approach us on the grievance committee and on the executive board, or even if his wife or somebody, and could give us a good satisfactory answer, if he was on the level and would do the fair and square thing—of course, I don't know how the others feel, I'm only speaking for myself, but I know, myself, that this thing is going to occur again if he comes back.

LAWRENCE (M): You think it is going to occur again if he is given a certain amount of punishment?

O'BRIEN (E): I think if we punish him this time we will have to do it again.

MOORE (E): I think he would get discouraged if you laid him off a couple of weeks.

THOMPSON (M): He was cutting for Mr. Jones.

O'BRIEN (E): But you'd not have had him in the sole leather room if you'd had your way.

LAWRENCE (M): I'll tell you what we would like to do, Mr. O'Brien. We would like to write down a list of a few names and put it up to you folks, and say, "Now here are some names that we feel are disagreeable people and that are causing just as much trouble as this man is, only possibly you don't realize it." But I would agree to giving him a certain amount of punishment, but it seems to me that we ought to have something definite; we ought to say, "Here, we feel that you have made yourself so disagreeable, such a kicker, and so forth, that you've got a certain layoff coming to you." Can't we agree on a certain length of time that we lay him off?

MOORE (E): What do you think about that?

NEWELL (E): I don't see what right you've got to do it. You know the general executive board have got to say that, and they're at district headquarters now.

NEWELL (E): Yes, it's gone to that now.

LAWRENCE (M): Then it is the union that's insisting that he be discharged. It is not the men in the room. Headquarters must decide it; that makes it distinctly a union matter, doesn't it?

LAWRENCE (M): Why do they come into it? You made the statement that these people coming downstairs have absolutely nothing to do with a case of this sort. Now you say that the board at district

NEWELL (E): The union employees will not work with that man. That's a vote they took and put down in the records. They say just as soon as they reinstate that man the union employees will go out. There it is. The idea of us trying to effect a compromise here now is ridiculous, because we haven't got the right or power. It is all right for us to suggest to knock him off for two or three weeks or something of that sort, but they've held their meetings and have convicted that man of the charges.

LAWRENCE (M): What were the charges you made against him?

NEWELL (E): He broke his pledges to the union; he knew he was doing wrong; he knew it before.

O'BRIEN (E): He's broken the laws of this company.

NEWELL (E): He'd have gone further unless he was halted.

KELLEY (E): He came and told a lot of lies last Saturday.

O'BRIEN (E): It's just the same as if I refused to do the work that's put in front of me.

KELLEY (E): That's the same case; that man refused to do the work. I couldn't do anything for that man.

LAWRENCE (M): But of course we treated that man Levinson exactly the same way. We talked with him and did our best to get him to stay, seeing he wasn't satisfied with his job.

MOORE (E): This man is a liar. We were called outside one day last summer to talk with him, and he was accused of saying something.

O'BRIEN (E): Awful language he used.

MOORE (E): And they denied it. They told him to his face he was a liar.

O'BRIEN (E): Well, I don't think, Mr. Lawrence, that you really ought to; that is, I think you have got evidence enough there.

LAWRENCE (M): We have evidence enough that the man certainly should be discharged from your union for breaking the union rules, and so forth, but of course that is something that doesn't concern us. We have evidence enough that this man is a trouble maker. I'd like to have the opportunity of talking this over and I wish you would talk it over and see if there isn't some way you can compromise the thing. Admitting that he is a trouble maker and that he ought to be punished for some of the things he's done outside, ought we to give that punishment? I feel that you fellows ought to have a certain amount of feeling for the man and his family, that you would be willing to consider that being kicked out of the union and so forth is sufficient punishment. I'll agree that we won't let him go back to work until we have come to some definite understanding. If it comes to a show-down, it hasn't reached that stage as yet. We won't let the man go back to work for the time being, but we do want to try to arrive at some compromise on this thing. Mr. Newell, see if you can't find some way of straightening the thing out with your crowd.

NEWELL (E): That's what puts me in a tough position. I'm a representative of the district office in this case.

MOORE (E): We recognize the fact that we haven't a closed shop. We have a certain amount of principle, and there is a big principle involved in this.

NEWELL (E): The unions around town are saying that the firm is just putting us to the test. It's beginning to look that way.

LAWRENCE (M): As far as we are concerned, this thing hasn't gone beyond me. It isn't a case of the firm putting it to the test. If anybody is doing it, I'm the one, and I'm certainly not trying to start any trouble. The way I feel about it is this: that there is this principle involved, but it is you folks who are starting the thing. That is, you are asking us to do something, leaving personalities out of account, that you are only justified in asking us to do if we have a closed shop. That's the way I feel about it, and I would be willing to talk with any of your people and argue the thing. That's what I honestly feel. I'm not accusing you of trying to start something, but you ought not to accuse me.

KELLEY (E): It looks very much like a test case, for this reason, that you apparently have reason enough to let this man go.

LAWRENCE (M): I don't agree with you in that. If we had absolutely no union, I don't agree that we would be willing to let the man go on just that basis. As I said before, when it is a case of a man that I am convinced shouldn't be working for us, as was the case of that man who was called a slacker, we refused to have him in our employ; but I don't believe that this man has been such a bad actor that we are justified in saying, "You are absolutely done with this company." I feel that as far as you people are concerned, you are justified in putting him out of your union. I feel that as far as we are concerned, we haven't one serious complaint against him that would justify us in refusing to let him work for us any longer. I am perfectly willing to say he has started up trouble, has been a kicker, and for that reason I would be willing to lay him off for a reasonable length of time as punishment. I am inclined to feel that you folks are presenting the point of closed shop in insisting that we discharge him. That's a point to be discussed next Tuesday night, you see. We will agree, as far as this is concerned, that we won't start the man back to work for the time being. I honestly feel if you folks go out and think it over and talk it over you will be able to suggest some compromise that will be agreeable to us.

KELLEY (E): This thing has already gone through to the district office in regard to this man. He is out of the union, and we absolutely refuse to have anything to do with him on account of his unfairness. He is untruthful to his fellow workmen as well as to the union. He says he got into it against his better judgment; I think he's made several untruthful statements about Mr. O'Brien.

LAWRENCE (M): I don't know particularly about Mr. O'Brien: I agree with you he has made untruthful statements. But now I don't know that we are gaining anything by just talking it over tonight. Let's go over the thing again some time tomorrow or Monday: at any rate, we agree not to start him back.

NEWELL (E): I'll tell you, I'll go and call up the district headquarters on this case. I'm the representative here of the district office. I've got to keep them informed in a case of this kind. Now up to the present time there is no progress made on the case towards their end. It looks now as though you want us to suspend this man and he is going to come right back and work against us again. There is no sense in that, from our standpoint. So I'll call them up on the 'phone, and whether the case will hang fire or not, probably I can let you know tonight whether they are going to send a man up here tonight. We will have to have a special meeting tonight anyway.

LAWRENCE (M): We can get together again on this tomorrow morning.

NEWELL (E): Sure. I'll call the district office.

LAWRENCE (M): All right. You can get in touch with me tonight here in town.

At a meeting of the superintendent and the union grievance committee on the next day, the superintendent refused to discharge Levinson and advised the members of the committee, if they still were interested in the case, to appeal to the general manager of the plant.

The following note was received by the general manager of the plant on November 17, 1919.

We, the cutters of sole leather factory, refuse to work with Abe Levinson for the following reasons:

That he is unfair, untruthful, a trouble maker, agitator, and altogether an undesirable man to work with. He has shown himself to be a man who would not hesitate to literally step on his fellow workman in order to reach a little higher up on the ladder of success. This we can prove. This stand of ours has met with the entire approval of the four locals in the city.

(Signed) GRIEVANCE COMMITTEE

The general manager of the plant, upon receiving this communication from the grievance committee, called into his office the foreman and superintendent of the sole leather department, the supervisor of employment, the union grievance committee, and A. Levinson. The history of the case as brought out in previous conferences was thoroughly reviewed.

The general manager then proceeded with the investigation of

the case. The representatives of the employees produced evidence to show, without reasonable doubt, that Levinson had been one of the men most prominent in the organization of the union the year before. During the past two months, however, he had lost his interest in the union, had taken no part in its activities, and had spoken against the organization. The union grievance committee brought into this conference several outsiders who testified that Levinson had told them that he had joined the union against his better judgment.

The general manager proceeded further into the question which was brought up in the conference of November 14 when Levinson was reported to have said "Give me 'centers'; give them to a friend of mine, then the rest of the line will feel all right." Further questioning developed the fact that several months prior to the time that the controversy about Levinson arose, the cutters had complained about a certain kind of work. They had stated that it was especially hard to do and had appointed a committee to ask the management for an adjustment. The management had told the cutters that it realized that the piece rates on this particular work were out of line and that as soon as a study could be made they would be adjusted. Shortly after this, Levinson had approached the foreman and had stated that if the foreman would give him centers, the kind of material which was considered preferable to other kinds, he would arrange matters with the men so that the company would hear nothing more from their request for an increased piece rate. The general manager asked the foreman if he recalled Levinson's having made such a proposition to him. The foreman replied that Levinson had made this proposition, but that since he knew the man was inclined to talk a great deal he had paid no attention to it and had almost forgotten the incident. Several employees of the company, who were not interested in this question, came in and said that Levinson shortly after this incident had told them that he would fix it with the foreman so he could make more money than the rest of the cutters and also so the company would not have to increase its piece rates.

It was brought out also in this conference that Levinson had advised one of the committee members not to turn out too much work per day, as that might have an adverse effect on future piece rates. Levinson had offered a motion in a union meeting, which

was recorded in the minutes, to the effect that one of the committee members should see each operator's pay envelope each week in order to detect the men who were working excessively and to influence them to slow down. This motion had not been carried. Several days later Levinson had told the foreman that one of the committeemen had introduced this motion at the meeting and that he, Levinson, had had a hard fight to keep it from passing.

Both the grievance committee and the foreman described the man as abnormally self-centered and one who tried continually to advance himself at the expense of others. The foreman regarded the man as a chronic faultfinder and kicker, but said that he knew of no specific act which he had committed that would warrant his discharge. The general manager told the grievance committee that he would give his decision on the following afternoon.

COMMENTARY: The fundamental desire of the union committee in this case seems to have been to guard against a secession movement that might have been led by Levinson. In addition, some members of the union apparently were distrustful of the company and wished to put Levinson out of the plant because they feared that he might be employed as a spy by the company. In the third place, the cutters distrusted Levinson as a double dealer, and disliked him as an associate. O'Brien, and perhaps other members of the union committee, wished to humble Levinson. They wanted to obtain his discharge to demonstrate his lack of power and to rob him of his followers.

The union committee did not present these fundamental motives frankly in the conference with the superintendent. The committee probably realized that the company would reassert its open-shop policy and its neutrality as between the several unions in the shoe industry. Nor could the union committee state its distrust of the company. The committee, therefore, brought up issues related to the behavior of Levinson in the shop. Its members alleged that he disrespected the foreman, that he quit without notice, and that he was insubordinate and violated shop rules. From the union committee's statements in the early part of the conference with superintendent Lawrence on November 14, one might think that the committee was concerned primarily in improving discipline in the cutting room.

The chief aim of Lawrence was to defend the open-shop principle. Lawrence expressly stated that he was not concerned with the individual involved in this case. He did not wish to exercise his power to

discharge an employee in a way that would permit the union to allege that the discharge resulted from its efforts, when, to his mind, those efforts grew out of the employee's refusal to be disciplined by the labor organization. The superintendent in effect rested his case upon his unwillingness to concede that the union had power to demand the discharge of an employee on grounds of that employee's unsatisfactory conduct as a unionist. He feared, moreover, that any concession of the kind would strengthen the union obtaining it, and that, as a result, the company's neutrality as between unions might be assailed by the employees. In his desire to maintain principles, he went so far as to be indifferent to the specific facts of the case.

Turning to the method of handling this case, we note that when Levinson stated his desire to leave the company's employ on November 8, the foreman seemed to regard his departure as a loss to the company. It is difficult to understand the foreman's action in the matter. The foreman should have recognized Levinson as a disturbing force in the cutting room—a man whose voluntary resignation would have relieved him of much trouble.

When Levinson reported at the employment office, the supervisor there followed common practice in treating with discharge cases. He interviewed the man and, not having definite information from the foreman, decided to persuade Levinson not to leave until the charge of discrimination had been taken up by the superintendent. The employment supervisor no doubt did not wish to accept an unwarranted resignation, nor did he wish to see an employee leave who had made serious complaint regarding treatment received in the plant. At the time, also, the company needed cutters, although a statement made in the conference of November 14 indicated that the employment office had not exhausted its resources for obtaining cutters.

The employment supervisor's ability to deal with the case was limited by the assistance given him by the foreman. The attention given Levinson by the employment manager, the apparent effort on the part of both the foreman and the employment manager to retain him, and the promise made to pay him until the case was settled finally, furnished foundations for "stories" which Levinson could tell of his importance to the company.

The conference with the superintendent on November 12 brought out the fact that the union grievance committee objected to Levinson's employment in the department because he had broken union rules. At that time the superintendent decided that the union was trying to use the company in an attempt to discipline Levinson. He thought that favorable action upon the demand would embarrass the company in view of its policies regarding labor unions.

The report of this conference makes it clear that the employment

supervisor had been delinquent in the three or four days following Levinson's attempt to leave the company's employ. He could have used that time to gather further information concerning the character of Levinson, the charges made by Levinson regarding discrimination in the distribution of "centers," and Levinson's claim that he had been hectorred by other union men. The superintendent's lack of information on the twelfth compelled him to defer judgment on the case and probably biased his initial estimate of the merits of each party to the controversy.

In the conference on the fourteenth, it was apparent that the superintendent had decided to refuse the union committee's request on grounds of "principle." Prior to the conference, he had told Levinson in person the terms on which Levinson could return to work. By that action he took a stand in opposition to the union committee's desires. In consequence, however, he put himself on the defensive in the conference and prevented himself from probing charges relating to Levinson's conduct as an employee. In that conference the superintendent tried to bring forth an admission on the part of the union committee that their principal desire in the Levinson case was to strengthen their organization. He did not run down the double-dealing charge, nor did he question the committee regarding Levinson's charges that he (Levinson) had been hectorred by union men.

The superintendent's policy was questionable. Although he could have blocked the union by retaining Levinson, his act would have resulted in continued factional quarrels in the union which would have reduced its power for constructive work. Had he retained Levinson, the superintendent would have kept a source of friction in the sole leather cutting department, and his act could have been interpreted by the employees as an indication of Levinson's value to the firm as perhaps a spy or a possible leader of a competing labor organization. This issue had been magnified by the union committee and it threatened to lead to a strike of the cutters which, in view of their key position, would have shut down the entire plant.

Lawrence recognized the questionable character of Levinson and attempted to show that the refusal to discharge Levinson could not be linked up with any effort to use Levinson as a spy. The superintendent tried to divert suspicion from his action in approving Levinson's reemployment, yet he could not support Levinson as a valuable employee. The superintendent defended his action by stating that Levinson was no worse than other men in the plant, and that the company could not discharge him if it intended to retain other employees who were equally undesirable.

After the union committee members had stated their arguments and

found Lawrence insistent upon a principle, they informed him that the issue had reached an impasse and that a strike would occur in the sole leather department if Levinson were reinstated. They also said that they regarded this as a test case and that union labor in the city was watching its outcome. We have no means of judging the truth in this last statement. Lawrence answered by assuming full responsibility for his method of treating the case. He said that his conduct in the matter was not the result of official company action. After two members of the union committee proposed a compromise, in the nature of a layoff for Levinson, Lawrence sounded out sentiment in its favor but found, through the committee's spokesman, Newell, that the local union had made the issue one of general importance, and that its officials had obliged themselves, apparently, to obtain Levinson's discharge. Lawrence then asked for delay. It will be recalled that he previously had offered Levinson reemployment. On the following day he denied the committee's demand and referred the committee to the general manager. Although that act postponed final company settlement, it permitted the union to convene its membership in the interval and to draw up an ultimatum on the issue.

As to the local union's method of handling the case, it is clear that organization politics were chiefly responsible for the critical state of affairs on November 17. Solely on grounds of Levinson's behavior as an employee, there was inadequate reason for the local union to have placed Levinson's case before the district general officers of the union within one week of its initial presentation to the company. The local union, prior to that time, had not asked for Levinson's discharge on grounds of his duplicity and his undesirability as a fellow worker. The real opposition to Levinson arose after the union had voted to discipline him and he, in turn, had defied the organization. When Levinson decided to leave the company's employ, the union committee decided to press for his discharge and thus, at one stroke, increase the prestige of the organization and eliminate a trouble maker in its midst. When, however, the company seemed to demur upon its request, the union committee sensed the possibility of defeat. The committeemen realized that Levinson could ridicule and belittle them if their efforts failed. From their standpoint, the case was serious. In less than a week, and before knowing the company's final decision on the Levinson case, the local union had decided to bring general pressure on the company and presumably had asked for strike sanction³ from the general executive board of the national union.

³ Strike sanction is official approval of a strike by the general executive authority of a labor organization. By such approval the national union underwrites the local effort. The strike, after being sanctioned, can be called with the assurance that it will be supported from the defense funds in the general treasury of the organization.

The action of the union is explainable also on grounds of its distrust of the company. There was current a rumor that the company had resorted to espionage. There were several rival unions in the shoe industry, and Levinson was qualified to act either as a spy or as a leader of a rival union faction. We recall also that Levinson had belittled the committee and had referred to its impotence in securing a pay adjustment for two men who obtained the adjustment independently of the committee's efforts. The union knew that means were at hand to undermine it, if the company wished to employ them.

After the case reached the manager, he tried to gather further evidence regarding Levinson's conduct as an employee. The manager did not concentrate, as did the superintendent, upon Levinson's relations with the union. His inquiries brought to light facts which, entirely apart from the union situation, certainly justified Levinson's discharge.

The manager no doubt recognized the danger in reversing his superintendent on this issue. A reversal of that kind destroys the confidence of the junior executive, who fears to take action thereafter lest he be overruled. A frequent result is that the junior executive refers questions not covered by precedents to the superior officer, and thus overloads the superior officer with work. The junior officer becomes a transmitting medium rather than an executive on his own account. On the other hand, the manager no doubt realized that Levinson could not be retained under the circumstances without the company carrying undesirable suspicion; that the support of Levinson patently was an effort simply to check the union and not to save a valuable employee; that Levinson probably would cause friction in the department if retained; and that the union leaders had taken a stand on this issue which made it almost impossible for them to agree to Levinson's reemployment in the department.

Several additional points of significance stand out in this case. In the first place, Cooley seems to have been easy going and not aware of the forces at work in his department. His failure to discipline Levinson when Levinson attempted to compromise the piece-rate adjustment for personal gain is open to serious question. The organization of the factory may have played a part in Cooley's conduct. Apparently the organization was highly functionalized. Rates were set by the planning department. Rate adjustments were taken up between a workers' committee and the planning department. The foreman seems to have been chiefly an inspector and a methods man. Had the foreman of this department been of a different stamp and had he been in total charge he probably would have known more of the Levinson problem and probably would have disposed of it single handed.

A second noteworthy feature of the case was the way in which a

small issue was allowed to become a large one by inaction on the part of the company over a period of several months. The longer Levinson was allowed to remain in the cutting department, the more critical conditions became in that department. The company's hesitation to act upon the Levinson case, when Levinson wished to resign, increased the suspicion of the union employees and then magnified the importance of Levinson to the company. The unionists, acting upon their assumptions, made a general issue of the Levinson case.

Lawrence regarded the Levinson case as a challenge, and he wished to oppose the union's aggressive tactics. In taking up the challenge, however, he compromised the company. If he wished to check the union's ascendancy, he should have waited for some less clouded issue upon which to base a contest to check the union's ascendancy.

The growth of unionism in an establishment, for whatever cause, imposes burdens upon junior executives. In this case, the foreman, the employment supervisor, and the superintendent did not exercise discriminating judgment; apparently they did not appreciate the ways open to a union to make a broad issue of an individual case. The re-submission of this problem to the manager magnified its importance. The manager's reversal of the superintendent's decision was probable. That action would have strained the relations between the two men and weakened the confidence of the company's junior executives in their ability to deal with labor problems. The case demonstrates the necessity for long-range efforts to aid junior executives in developing that ability in preparation for possible critical emergencies.

April, 1926

J. W. R.

CLEVELAND GARMENT MANUFACTURERS' ASSOCIATION¹

MANUFACTURERS—WOMEN'S GARMENTS

WAGES—*Weekly Minimum Wage Guaranty Coupled with Piece-Rate Method of Incentive Payment.* In 1920 a number of women's garment manufacturers of Cleveland and a labor union in the trade adopted a wage system which was to combine their respective demands for payment to workers according to production, and weekly minimum wage rates. Under that system, the standard time of doing tasks was to be determined from studies with a stop watch. A minimum wage was to be guaranteed. Whenever an individual did work in excess of the weekly standard of production, his wages were increased in proportion to that excess.

PRODUCTION STANDARDS—*Established by Manufacturers' Association and Labor Union.* A manufacturers' association and a labor union, in order to equalize wages as between competing establishments and to arrive at a just method of incentive wage payment, agreed to hire an engineer jointly to supervise a system of production standards which each shop was to apply to its manual operations. The standards were to be set from stop-watch studies made in cooperation with the workers, and were not to result in the discharge of employees. Standards were to be posted, and appeals from them might be taken by shop committees to the engineer in charge. In rectifying an error, retroactive adjustments were to be made. Idle time enforced upon employees by managerial inefficiency was to be compensated at hourly rates. Unavoidable delay allowances were to be added to standard times. Workers were guaranteed minimum weekly wage rates, but when they produced more than the standard output in any week they were to receive increased earnings in proportion to that excess.

PRODUCTION STANDARDS—*Installation Rendered Difficult Because of Employee Misgivings.* A plan to establish production standards in the shops of competing manufacturers of women's ready-made garments was opposed by a substantial number of employees. That action arose from the employees' belief that the system would become a tool of exploitation. They recognized that piece rates which had been fixed out of line under the former bargaining system would be reduced; they resented tactless action on the part of time-study men; and they thought that standard labor costs per unit of output would not, as would week work, cause the manufacturers to endeavor to regularize operations in the industry.

ARBITRATION OF LABOR DISPUTES—*Terms of Labor Agreement Establishing Continuous Arbitration.* In 1918, when a strike threatened to interrupt

¹ See also *Women's Garment Makers' Union v. Ilman Company*, page 437.

deliveries on war contracts, the Secretary of War appointed three referees to adjust labor difficulties in the Cleveland women's garment industry until six months after the close of the war. That arbitral arrangement, by preventing strikes and settling disputes, was beneficial to the industry. In 1919 the employers and the labor-union officials signed an agreement, continuing the board of referees, which was given power to fix basic wage rates, to adjust disputes, and to discipline violators of the agreement, which prohibited strikes and lockouts. The expenses of the board were to be borne equally by the manufacturers' association and the union. In the adjudication of disputes, the board was represented by a resident deputy, who acted as the court of initial review.

LABOR UNIONS—*Recognition by Localized Manufacturers.* In 1919, after a period of indirect relations with a union through federal arbitrators, a group of women's garment manufacturers in Cleveland signed an agreement with the union. That agreement, applicable to the Cleveland market, continued the arbitral board, which was to establish wages, adjudicate controversies, and regulate subcontracting of work. The agreement prohibited strikes and lockouts and sanctioned measures to improve the efficiency of the industry, among them incentive wage payment based upon production standards.

UNEMPLOYMENT REDUCTION AND RELIEF—*Unemployment Compensation Plan Adopted.* An association of employers in the women's garment industry, a seasonal trade, in order to obtain their employees' cooperation in the application of production standards, assured the employees that the step would not increase irregularity of employment. The parties subsequently developed and adopted a plan of unemployment compensation under which workers who were unemployed more than six weeks in each six-month manufacturing period received from the employer two-thirds of their regular earnings for the unemployed time exceeding six weeks.

(1919-1921)

In 1919 the Cleveland Garment Manufacturers' Association, which included in its membership approximately 30 large firms in the women's garment industry in Cleveland, received several demands from the local labor unions in the trade; the most serious of those demands, from the manufacturers' standpoint, was for the abolition of the piece-rate system and the application of the week-work system in its stead. The unions had been gaining strength rapidly during the preceding two years, and a substantial faction in them favored direct action as the method to obtain demands. The manufacturers had not recognized the unions but had been dealing with them indirectly through a board of referees set up by the United States War Department in 1918,

when a threatened strike menaced deliveries of uniforms which the manufacturers had contracted to make for the army. In 1919 the manufacturers had to decide upon a course of action with reference to the unions' demands.

There had been no serious outbreak in the women's garment industry in Cleveland since 1911. At that time the national union of women's garment workers called a strike in Cleveland to organize the industry there, and to put into effect an agreement similar to the one which was in effect in New York City, the predominant manufacturing center of women's garments in the United States. The principal Cleveland garment manufacturers at that time formed an association. The strike of 1911 was contested bitterly from early June until October and was marked by violence. The strikers were unsuccessful in the struggle.

After the strike, the manufacturers sought to eliminate many of the workers' grievances that had been mentioned during the controversy. The manufacturers hoped to forestall further unionizing efforts by affording the workers good working conditions. The industry in Cleveland was conducted chiefly in large units, whereas in New York City it was conducted in the main in small workshops. Some of the leading Cleveland manufacturers after 1911 subdivided manufacturing processes to a greater extent than was common in the trade. These manufacturers adopted efficiency methods and scheduled work in process. They employed relatively more women than were employed in New York City. Some of them undertook welfare work and, subsequently, adopted plans for employee representation.

In the period from 1900 to 1919, the Cleveland cloak and suit industry was an active competitor of the New York industry. Strictly tailored garments were in vogue and the manufacturers in Cleveland were specializing upon women's garments of conservative style. These they marketed, by means of aggressive sales methods, throughout the Middle West and certain sections of the South. In order to regularize their operations, the manufacturers endeavored to have retailers order in advance. Unlike the New York manufacturers, the Cleveland manufacturers could not draw upon a large supply of skilled and unskilled labor, and they could not increase or decrease their work forces in direct correspondence with seasonal changes in market demand for the finished products. The Cleveland manufacturers had built up a

reputation for quality merchandise, although they had not specialized in the production of expensive and ultrafashionable garments. Labor cost was about 25% of average manufacturing cost.

The Cleveland strike of 1911 was a sequel to the establishment of a union agreement in New York City. That agreement, won by a strike in 1910, was known as the "protocol." It established an arbitral commission to settle any controversies that arose between the manufacturers and the union during the term of the agreement. The protocol also established the preferential union shop, which obligated the employer in hiring workers to give preference to union members when both union and nonunion workers were available. The protocol also provided for a joint board of sanitary control, which was to inspect workshops and bring about improvements in physical working conditions.

After the protocol was signed in New York City, the manufacturers there asked the union to prevent the standards effective in New York City from being impaired by the competition of other garment manufacturing centers. To conserve its position in New York City, the union undertook organizing programs in other women's garment manufacturing centers, among them Cleveland.

The subcontracting system was prevalent in New York City, but only a limited amount of subcontracting was being done in Cleveland. Under the subcontracting system the so-called manufacturers did not actually make the garments. They bought materials, selected styles, cut the materials, and turned over bundles of cut stock to contractors, who operated manufacturing shops either within the "manufacturers'" buildings or elsewhere. The contractors employed the workers and made the garments at the contract prices. Upon completion the garments were turned over to the manufacturers for sale. The contractors sought to secure as wide a gross margin as possible between the wages they paid the workers who made up the garments and the contract prices paid by the manufacturers. Ordinarily the contractors had little if any capital. In New York City, most of the contractors' shops were not located in manufacturers' buildings but in tenements. The contractors competed actively for the work that was allotted each season by the manufacturers; the contractors exerted pressure upon their workers to accept reduced piece rates or to produce more garments for a week's wages. Typical working condi-

tions in Cleveland were better than typical working conditions in New York City.

Because retailers and consumers bought garments chiefly in the spring and fall, the industry both in New York City and in Cleveland was highly seasonal. The workers in certain months were idle and in other months were rushed by the contractors to produce a maximum quantity of garments within a limited time.

Prior to 1910 numerous efforts had been made by the employees in New York City to organize and to improve their conditions of labor. These efforts in the main had been unsuccessful because the workers could not prevent the introduction of immigrant labor into the trade. Many of the manufacturing operations could be learned in a few days. Because the industry employed people of different nationalities and because of the ease with which many jobs could be filled by relatively unskilled people, unionism made slow advances. Strikers' places could be filled by new workers.

Ordinarily, employees working under the conditions which existed in the industry prior to 1910 would have sought employment in other trades, but this transition was difficult for the garment workers. People in other industries were prejudiced against some of the nationalities engaged in cloak, suit, and dress manufacture. Many of the workers in that industry were physically slight and incapable of carrying on other, heavier types of work. Many other industries were not manned by fellow countrymen of the garment workers, and these people hesitated to incur the persecution that often was accorded to the first members of a nationality to obtain employment in an industry.

In 1914 the garment workers' union again made an unsuccessful attempt to organize the women's garment workers in Cleveland. After the entry of the United States into the World War, the general shortage of labor made the task of organizing an easy one, in view of the likelihood that organization would result promptly in increased wages. In July, 1918, the union ordered a general strike in the Cleveland market. A number of the manufacturers at that time were engaged in making nurses' uniforms and military coats. They were obliged to submit the strikers' demands to government officials under the terms of their contracts. The Secretary of War appointed three arbitrators to investigate the difficulty and to make an award. The arbitrators classified the workers in the industry and fixed wages for the

various classes. They also continued to act as arbitrators for the settlement of disputes that arose subsequently. The award stated that piece prices were to be settled in the several shops by committees of employees dealing with their respective employers. There were to be no strikes or lockouts during the period covered by the award. Notwithstanding this provision there were four stoppages in individual shops. The assessment of responsibility for those stoppages was disputed. The manufacturers, on the whole, were gratified with the results of the arbitration scheme in preventing stoppages. Without that plan there doubtless would have been many interruptions in production during the period. The stoppage was the workers' customary way of gaining concessions or adjustments. In the summer of 1919, this arrangement for government supervision was to lapse.

Early in 1919, the national union of women's garment workers with which the Cleveland local unions were affiliated was making a general drive for increased wages, greater union control, a 44-hour week, and the introduction of week work. The last demand called for wage payment according to time spent at work, instead of payment for product credited to the individual employee.

The Cleveland local unions were inexperienced and seemed inclined to exercise their newly acquired power. In the spring of 1919 they drew up demands for increased wages, the system of week work, the preferential union shop, and the equal distribution of available work in any shop among the workers regularly employed. These demands were presented to the manufacturers for acceptance upon the lapse of government supervision.

The manufacturers refused the unions' demands. The unions then set a date for a strike. Just before the strike was to take effect, the board of referees previously appointed by the Secretary of War obtained the consent of both sides to defer any direct test of strength and to submit their differences to the referees for adjudication. Approximately a week after the day set for the strike, the referees handed down an award which increased wages by amounts between \$2 and \$3 a week and established the office of "impartial chairman." The occupant of that office was to act as a court of initial hearing to settle disputes that arose under the award of the board of referees. He acted with the full authority of the board, subject only to appeal on matters relating to principle or policy.

The award established a truce but did not settle the issues of concern to the employees and the unions. Both sides saw a need for a more enduring settlement. The representatives of those bodies were in conference repeatedly during the fall of 1919 endeavoring to compromise their differences and arrive at some mutually satisfactory working program. The employers already had denied the unions' demand for the week-work system and continued in the conferences to view the proposal with disfavor.

The union membership was not unanimously in favor of that demand. The week-work system established classes of labor and accorded to all workers within any class the same weekly minimum wage. Thus, all skilled machine operators might receive \$30 for a week's services. No prescribed amount of production was set as the condition of that payment.

Many of the unionists urged the adoption of week-work on the ground that it would prolong the seasons of employment. They argued that a uniform weekly wage would not hold forth an incentive to the employees to rush during busy seasons when work was piled on their worktables. Hence, an employer under the week-work system would be obliged to begin work in any season earlier than if he were working under the piece-rate system. Again, it was said that piecework caused jealousy among the workers and competition among them to secure the contractor's favor; this condition impaired the solidarity of the workers. The piece-rate system was assailed also on the ground that it caused workers to overtax their strength.

On the other hand, many workers in Cleveland preferred piecework, which was the rule in some departments of the industry there. That system rewarded the energetic and capable worker. It was the opinion of many workers that under week-work additional weekly pay might be given to the better workers, that uniformity would not exist under that system necessarily, and that frequent bargaining upon the wage question would continue. They pointed out that the week-work system might lead to serious abuse. For example, an employer secretly might pay several workers to establish a high rate of production in his shop, then the employer might insist that all other workers meet that rate on penalty of discharge. It was questioned also whether a week-work pay system would spread out the production season, in view of the fact that many of the tasks were elementary and

that new workers readily could be introduced into the trade during busy seasons. The result of week-work, therefore, might be greater fluctuations in the numbers employed, and no greater per capita income to the workers.

In the negotiations during the fall of 1919 each side came to understand the reasons for the positions taken by the other. In these conferences an agreement was evolved which was acceptable to both sides. It was signed December 24, 1919, and was to run until December 31, 1921.

The agreement contained a number of noteworthy features. The preamble stressed the obligation of the industry to the consuming public; it denounced the use of intimidation or coercion by either side. The agreement continued the board of referees and the impartial chairmanship. During the term of the agreement, basic wage rates were to be set by the referees. One paragraph read as follows:

The principle of week-work is approved. The definite arrangements which shall be worked out jointly under the direction of the referees during the next year shall have due regard to the productive value of the individual worker, based on fair and accurate standards, which standards shall be subject to review by the referees.

An earlier paragraph which dealt with basic wage rates stated that:

The wage scale shall be determined after thorough investigation of all ascertainable facts, with due regard to the public interest, fair and equitable wages conforming to American standards, and to the progress and prosperity of the industry. A united effort shall be made to promote all interests by increasing continuity of employment.

Another paragraph read:

There shall be no strikes or lockouts during the life of this agreement, unless previously authorized by the referees.

Although the agreement did not specify any definite commitment on this subject, the manufacturers verbally obligated themselves to work out a definite unemployment relief plan in the following months. The agreement prohibited subcontracting in "inside shops." Conditions and wages in outside shops used by the signatory manufacturers were to be regulated by the board of referees. The agreement did not specify closed or preferential shop conditions. Open-shop conditions were to prevail.

The manufacturers' association did not include all the manufacturers of women's garments in Cleveland. There were approximately 15 manufacturers outside of the association who had an independent organization. As a group, these manufacturers were proprietors of small establishments. They had closed-shop agreements with the local unions. In addition there were several manufacturers who did not recognize the union or deal with its officials. Approximately two-thirds of the wage earners in the women's garment industry in Cleveland worked under terms established by the agreement of December, 1919.

During the winter of 1919-1920, a firm of industrial engineers was employed jointly by the unions and the manufacturers to propose some scheme of wage payment that would reconcile the wishes of the unions for weekly minimum wages, security of employment, and a guaranty against excessive production standards, on the one hand, and the wishes of the employers, on the other hand, for a plan that would extend incentives to individuals to improve quality and quantity of output.

The engineers prepared two plans. One was accepted with slight modifications. That provided for a weekly minimum wage for each type and grade of employee. Additional payment was to be made to workers who were credited for production of approved quality in excess of standard performance. The standards of production for each type and grade of product were to be based upon time studies which were to be fair and accurate and related to the producing ability of the "average worker." The standards were to be under the joint control of the union and the association and subject to the supervision of the board of referees.

In recognition of the fact that the introduction of standards was to be in cooperation with the workers, no worker employed was to be discharged as a direct result of the installation of standards. It was understood that this provision did not limit the right of the employer to reorganize his forces for business reasons or to discharge employees for just cause.

A bureau of standards was established. The engineer in charge was employed jointly, and was to be ex-officio chairman of a joint committee on standards to be composed of five members named by the union and five named by the manufacturers' association. This committee was to have the duty and responsibility of installing and administering the standards.

There was to be a committee on standards to be named by the union in every department of a shop. This committee on behalf of the workers could approve or disapprove the standards submitted to it. In case any standard was protested by either this committee or by the management, the time-study man was to review his standard. In case it was still protested, the matter was to be referred for settlement to the engineer in charge of the joint bureau. The engineer, together with the managers of the union and association, was to decide whether a new study was to be made.

Every worker in a given department could be studied in accumulating records of the time needed to perform each element of a task. In that process both slow and fast workers were to be studied. From these composite studies would be derived the number of minutes required by a worker of average ability, working at normal speed, to perform a task satisfactorily. The engineer in charge was to be responsible for the accumulation of elemental time records and the determination of standard times on the basis of those elements. All errors in standards were to be rectified upon protest of either workers or management and retroactive adjustments made. Standards were to be set for each type and style of garment at the earliest possible time and not more than one pay day was to elapse with standards unset on any garment in production.

The standard time for each garment or part was to be posted in the shop as soon as it had been set and approved by both sides. Each shop was to maintain a simple method of accounting for idle time and work done so that each worker could keep a record of his earnings.

The unit of measurement was the production of a worker of average skill working at normal speed for a week of 44 hours. Such a week's production constituted 2,640 points. A task taking 22 minutes to perform was a 22-point task. A worker operating at standard speed would process 120 of these 22-point tasks per week ($2,640 = 22 \times 120$). His wage would be figured by multiplying the total points credited to his account by the price per point. Thus, the worker's wages were to be influenced by his diligence. The price per point was obtained by taking the standard wage, which was 110% of the minimum wage, and dividing the standard wage by 2,640. For example, skilled machine oper-

EXHIBIT I

WAGE DIFFERENTIALS PAYABLE FOR EFFICIENCY RATINGS OF MEN
WORKERS ON TIME RATES

Efficiency Rating	Wage Differential Above Minimum
90% to 99.9%.....	5%
100% to 108.9%.....	10%
109% to 117.9%.....	14%
118% to 124.9%.....	18%
125% to 130.9%.....	25%
131% to 135.9%.....	30%
136% to 140.9%.....	35%
141% and over.....	40%

ators, women, were to receive minimum weekly wages of \$30 under one award in the coat and suit industry. The standard wage of the average worker in this group, therefore, was \$33, 110% of the minimum wage. The price per point of work done

by women in this group was $\frac{\$33.00}{2,640} = \0.0125 .

A percentage allowance for personal needs and fatigue was to be added to each standard time; this allowance was to be set by the engineer in charge. An allowance for unavoidable delays was to be determined for each shop by the engineer.

A worker was not to be called to work if less than a day's work was available for him. For any forced period of idle time in excess of 10 minutes, the worker was to be paid at the minimum rate, and idle time not paid for in any day was not to exceed 30 minutes.

Preferential rates for subnormal workers could be established by agreement between the union and the association.

In those shops where standards were set for men,² men workers taken off standardized tasks and assigned to daywork or week-work were to be paid in the following manner. Each man's "efficiency rating" was to be determined at the end of the first eight weeks worked and thereafter at the end of each season. The workers were to be grouped in classes and those in each class were to be paid for week-work at the rates shown for the various efficiency ratings given in Exhibit 1.

For all overtime work the worker was to receive in addition to

² Arrangements affecting women workers are not reproduced here.

his regular rate of earnings one-half his standard rate per hour.

The system of production standards installed under the terms of the 1919 agreement in Cleveland had not met with entire success by 1922. Some manufacturers had not established the close control over production which was an essential preliminary to the successful use of production standards. The proprietors of some of the smaller shops thought that the costs of setting standards in their establishments were excessive. In those shops, moreover, many small lots were processed and averages could not be determined satisfactorily.

At the outset, the employees were concerned lest the system become a tool of exploitation. It was not possible to put all the manufacturing operations upon production standards at once. This was true even in the shops that had developed standardized manufacturing technique. The operating, pressing, and hand finishing departments were best suited to the setting of production standards. In the cutting department, production standards were perhaps possible, but to establish them was difficult because they had to be adapted not only to many different fabrics but also to the number of layers of cloth which might be cut simultaneously. Different materials were not cut in a uniform number of multiples. For this reason, a standard applicable to one type of material might not be fair if applied to another type of material. In consequence of the gradual introduction of production standards, moreover, there was frequent discussion of this subject in each manufacturing organization. The former bargaining system had resulted in substantial inequalities between the earnings of members of the same labor classification. Some rates under that system were unduly high; their reduction as the result of the system of production standards and incentive wage payment subjected that system to severe strain.

Almost without exception, the wages of people who prior to the adoption of the agreement had been on week-work were increased when the "incentive system" was applied in their departments. These employees were pleased with the new system. Some of the workers who formerly were paid piece rates established by bargaining also expressed satisfaction with the system of production standards. They stated that they no longer had to restrain their efforts for purposes of bargaining strategy and that they could

exert themselves freely with the assurance that their efforts would not result in rate cutting.

When the business depression of 1920-1921 deepened, some workers were released permanently and that fact rendered the further application of efficiency methods disquieting to the workers.

Notwithstanding the depression, the association, the union, and the referees prepared a formal plan for unemployment compensation. The plan was announced in a decision of the referees on April 22, 1921. It provided for compensation at two-thirds the minimum wage rate to workers unemployed more than six weeks in a half year, or manufacturing season. The compensation was to be paid by the employer. This plan was revised in important particulars subsequently.

One difficulty in the operation of production standards in the industry was concerned with uneven lot sizes. In any season, copies of some of the samples were ordered in large quantities, whereas other samples were not favored by retailers. Workers who made popular models worked upon many copies of a given sample. Those workers acquired skill in processing the garments; they increased their production per week and their earnings. Other workers, who made only a relatively few copies of each of several samples, did not acquire the same degree of skill in doing their work. For the time being they produced and earned less per week than their fellow workers. Although these discrepancies evened themselves out in a season or two, the discrepancies at any one time gave rise to dissatisfaction. The engineers who set production standards could not foretell whether many or few copies of a sample would be made.

There were additional reasons given for the workers' unfavorable attitude towards production standards. Time-study men did not collaborate with one another sufficiently. They did not present their standards to the workers' representatives tactfully. Some of them were novices.

The time-study men in each shop nominally were under the control of the joint bureau of standards, which had been established by the agreement. Opponents of production standards stated that the men who made the time studies were not sufficiently under the control of this joint bureau, and that they did not maintain an impartial attitude. The salaries of the time-

study men were paid by the manufacturers in whose plants they set standards. It was alleged that the time-study men naturally favored those who furnished their salaries. The union did not pay the time-study men because it was with reluctance that the membership had sanctioned the time-study principle; the members probably would not have acceded to that principle if they had had to pay the expenses of studying tasks. Some of the unionists alleged, furthermore, that all the positive benefits of task setting accrued to the manufacturers. Finally, a number of the general officials of the union, as contrasted with the Cleveland local officials, were opposed to the whole scheme of production standards. Several articles expressing a skeptical or critical view of the scheme appeared in the international union's publications. At the time the international union had approximately 125,000 members; of these, 4,500 were in Cleveland local unions.

As a result of the system of production standards and slightly lower weekly wage rates, the Cleveland manufacturers, in the production of standard patterns, were able to manufacture as cheaply as could the New York City manufacturers. The Cleveland manufacturers expected to operate as nearly continuously throughout the year as they previously had been able to do. Because their operations had been more regular than those of the New York City manufacturers, both the association and the unions in Cleveland expected the workers there to receive larger average annual incomes than those paid in New York City.

COMMENTARY: The women's garment manufacturers of Cleveland must have regarded with concern the unions' demand in 1919 for the week-work system. Because of the temper and strength of the unions at that time, the manufacturers feared, no doubt, that the application of the system would impair employee efficiency and increase costs.

Manufacturers in this industry wished to price their samples with the assurance that labor costs would not change substantially before deliveries at the quoted prices could be made. Labor cost was approximately 25% of manufacturing cost. Under the week-work system, with its fixed weekly wage, the labor cost of a garment fluctuated inversely with the amount of work done per week—a standard which in the unions' view was to be bargained upon. Under that system, unionists might press for a reduction in weekly tasks, and their action, if successful, would raise manufacturing costs and tend to curtail the volume of sales.

Although the manufacturers in 1919 insisted upon the piece-rate system or its equivalent, they recognized that prewar methods no longer were applicable. The piece-rate system in the "inside shops" had not been satisfactory. There had been an excessive amount of haggling over piece rates. This caused poor cooperative spirit and sometimes led to stoppages. The rates established in that manner were influenced unduly by the relative strength of the contracting parties at the particular time the rates were set. Naturally there were unjustifiable differences between the rates paid at different times for substantially similar work. Under that system, also, the manufacturers might suffer from the sharp practices of contractors.

The forward-looking members of this manufacturers' association wished to retain the piece-rate system but to correct its abuses. The employees probably at the moment favored the bargaining system because they held the balance of power. The clash of interests on this issue was reconcilable only by having regard to the long-run mutual advantage that probably would accrue from a scientific treatment of the wage problem. There was no prospect of a decline in union membership. The manufacturers had to decide between fighting the organizations and enlisting their cooperation in a joint effort for mutual advantage.

The chief advantages possible to the manufacturers through union recognition, although by no means certain of attainment, were as follows: The industry in the past had suffered stoppages from strikes which had shortened the seasonal periods of profitable operations. A manufacturer often capitulated to the workers' demands because of his delivery commitments. During the period of Federal referee regulation strikes were practically unknown, and the manufacturers had experienced the advantages of peaceful settlements with the workers. This condition might continue if the union were recognized and the arbitral procedure retained.

In the second place, a union agreement would stabilize labor costs, provided the union would work under the piece-rate system or its equivalent. Thirdly, the orderly adjustment of grievances and complaints regarding working conditions or supervision through the union as a representative and disciplinary agency would eliminate the causes of conflict promptly and with reasonable fairness, and would improve productive efficiency.

No manufacturer, independently, could elevate labor conditions in the trade to a marked degree. The standards in effect in each plant reflected those current in the trade. Some of the manufacturers wished to improve labor conditions and they recognized that an advanced stand would put them at a competitive disadvantage unless the improve-

ment were general. By dealing with the labor unions in good faith these manufacturers would conserve a regulatory agency which would bring to light infractions of labor standards by any manufacturer in the association.

Whether these advantages were obtained depended in large part upon the behavior of the unions. If their officials were truly representative and the organizations were well-disciplined bodies, their agreements would be dependable. This question was critical since the organizations were relatively new and had not undertaken responsibility, and since their membership was known to include radical unionists. Another point of difficulty was the skeptical attitude of the officials of the national union toward a program of cooperation between the local unions and the employers in Cleveland.

The union leadership in Cleveland seemed to be progressive and not obstructive. In the year following the appointment of the referees, the manufacturers had had an opportunity to size up the control which the leaders were able to exercise. The adequacy of that control had been demonstrated; doubt existed, however, regarding the course into which the union leaders would guide their followers.

The manufacturers' demands that the wage question be settled by arbitration and that no strikes take place during the term of the agreement were indeed demands that would test the strength of radical influence in the labor organizations. In making these concessions, the local unions waived the use of their most powerful weapon.

In this situation there was a large degree of unity among the employers. There were relatively few manufacturers in the association and in the entire Cleveland market. It was a local group whose members knew one another personally. On the other hand, each manufacturer's methods were different from those of the others, and any detailed regulation of working conditions was likely to become irksome. These manufacturers in 1911 had fought a strike conducted by the same national labor organization and, no doubt, some of them still were antagonistic toward it.

The agreement of December, 1919, indicates the final compromise arrived at with regard to the chief issues between the association and the unions. The unions acceded to the manufacturers' demand for wages in proportion to the individual's productive effort and for the scientific determination of production standards. The manufacturers, in turn, conceded a weekly minimum wage and gave assurance that continuity of employment was not to be reduced because of the scientific determination of production standards. The unions laid aside the strike weapon and accepted arbitration as the method of settling disputes during the term of the contract. The basic wage scale during

that period also was left to arbitration. The manufacturers, under this arrangement, were reasonably sure to have a basic wage level that would approximate that in effect in New York City; they recognized the unions, and thus the union officials gained a more secure status and could discipline violations of the agreement by members of their organizations. Recognition, of course, intrenched the unions and was to be of advantage to them in further efforts to win better working conditions for their members.

The detailed plan of wage-rate determination and labor compensation adopted by the parties met the requirements imposed by the agreement. Its features were readily understandable. The cooperation of the employees was to be obtained in making the time studies from which production standards were to be derived. In contrast with the production standards, the prices per minute of the workers' time were to be fixed by the referees. The system was intended, no doubt, to subdivide the wage question. It segregated the two chief aspects of that issue and treated each in a different manner. The first question, how much work was to be expected of a typical operative in a day, was to be determined, so far as possible, by scientific analysis. The second question, how much money was to be paid an operative for a standard day's work, was to be determined by negotiation and arbitration. The production standards were comparable for an indefinite period, but the wage standards were changeable at the discretion of the referees. Any change in wage rates or prices per point could be applied easily to the relatively fixed ratings in time applied to specific jobs. Those ratings reflected the relative difficulty of processing each task. The production standards, by fixing the amount of work to be done for the weekly wage, aided the Cleveland manufacturers to stabilize their labor costs per garment.

To the employees the system offered a basic minimum wage; it provided for payment at that wage for time lost in the shop, on condition that the time was not lost through the fault of the operative. The payment for production above the standard was in proportion to that production and not, as in some wage systems, a diminished return per piece. The scheme did not remove opportunity for negotiations, but brought bargaining down to a basis of evidence. The time spent in bargaining and the time wasted in delaying work for purposes of bargaining were to be curtailed. Finally, the incentive system, by penalizing either worker or management according to the source of responsibility for delays, was to induce the parties to improve their methods and relations.

Because the incentive system was applied in all the association shops, competition was elevated. Beating down wage rates no longer was a

method of competition within the market. Although that form of competition appeared to lower labor costs immediately, it also caused intangible but nevertheless unquestioned indirect losses. The dissension between employer and employee which resulted from it tended to reduce the quantity and quality of work turned out. The unrestricted bargaining system regarding piece rates was on a low ethical plane; occasionally it enforced long hours of work, and it probably increased intermittent employment in the industry. In effect, these conditions reduced the working capacity of the people in the industry and lowered the industry in the public esteem.

The difficulties connected with the operation of production standards mentioned in the case were perhaps inherent in the circumstances. There was a tradition of exploitation in the industry which colored the viewpoint of the workers toward stop-watch studies. The seasonal nature of the work was another unfavorable factor. The operatives believed that increased efficiency would result in shorter working seasons and, hence, less annual income to them. The ardent collectivist feared that many of his fellow workers would depend too largely upon their own efforts and fail to recognize the need, as he saw it, to unite for common advancement.

Some operatives resented the installation of production standards because the studies caused some rates fixed by the bargaining system to be revised downward. In assessing blame for the decline in employment in 1921-1922, many employees, no doubt, did not distinguish between the effects of the system, on the one hand, and those, on the other hand, of the current business depression and of the keen competition which the Cleveland industry was sustaining from New York City manufacturers.

The traditions of the industry imposed unusual demands upon the time-study men. Their duties called for the exercise of diplomacy, firmness, patience, and energy. They had to meet suspicion rooted in experience; they had to win cooperation voluntarily and not by duress; pressed for effective standards, they had to set those standards quickly, and do so on the basis of limited experience.

Most of the manufacturers and union members had to change their customary methods of dealing with the wage issue. The system required them to view production standards as scientific problems, whereas formerly those standards had been arrived at by bargaining, in which the momentary necessities of the respective parties played a large part.

Apart from the background and beliefs of the people concerned with the system, there were technical and economic difficulties in the way of its success. In some shops the auxiliary service performed by indirect labor and supervisors no doubt was greater than in others. There-

fore, work specifications for the same operation on similar garments had to be modified according to the service done by indirect labor in different factories. Standards often had to be set for a model on the basis of operations on a few sample garments. As data accumulated, standards could be built up from experience on similar work. That method, however, would allow interested people to allege that the standards had applied to work that was not strictly comparable to the task in hand.

The nature of the material worked on and the long period of some of the operations made timing difficult. The skilled operations were not semiautomatic, as are many machine-tending operations upon which time study has proved satisfactory. The complications which resulted from uneven lot sizes are indicated in the case. Small lot orders and variations in patterns and materials made rigid process standardization and exhaustive time studies uneconomical.

Notwithstanding these difficulties and the handicap of an unfortunate marketing situation,³ this experiment has been continued to the present time, and there is no evidence that it will be discontinued. That fact is a testimonial to the earnestness of purpose and the good faith of the people—both employers and unionists—in the Cleveland branch of the industry. This has been a pioneer attempt by a manufacturers' association and a labor union to determine jointly in a scientific spirit and by study the time which an operative should spend in doing specified pieces of work. The matters of concern to each side in the early stages of the endeavor and the safeguards set up here to prevent abuse of the process of task setting would be of interest in any similar experiment.

June, 1926

J. W. R.

³ See also Samoset Company, 3 H.B.R. 294.

WOMEN'S GARMENT MAKERS' UNION v. ILMAN COMPANY^{1, 2}

LABOR UNION—WOMEN'S GARMENT INDUSTRY

MANUFACTURER—WOMEN'S GARMENTS

WAGES—*Equalization through Withholding Work from Subcontractors Paying Subnormal Wages.* In order to equalize wage rates for similar work in the several establishments represented in an association of women's garment manufacturers, the practice of putting out work in the shops of subcontractors was regulated by an agreement between the association and a labor union. The agreement provided that the signatory manufacturers were not to give work to any subcontractor who did not pay the rates of wages or abide by the other rulings made by an arbitration board created under the terms of the agreement.

UNEMPLOYMENT REDUCTION AND RELIEF—*Sending Work to Subcontractors Prohibited during Idleness of Regular Employees.* In order to stabilize employment of workers who depended for their livelihood upon regular employment in the Cleveland women's garment industry, the arbitrator of labor issues in that industry ruled that a manufacturer was not to put out work in subcontractors' shops at a time when the workers on the pay roll of its factory were idle.

(1921)

In 1921 the Ilman Company was manufacturing women's clothing in Cleveland. In December, 1919, an association representing approximately 30 of the principal women's garment manufacturers in that city, among them the Ilman Company, had entered into an agreement with a labor union in the trade. The agreement established terms of employment in the shops of the manufacturers signatory to it and set up a board of arbitration to fix basic wage rates and to adjust disputes that arose in the course of shop operation. Early in 1921, the union alleged that one firm in the association was violating the agreement by sending work outside of its plant to be done by contractors who were paying wages less than those established by the arbitrators. In presenting this charge, the union representatives alleged that the Ilman Company was giving work to "outside shops" while the workers in its factory were idle.

The principal terms of the manufacturers' agreement with the union were as follows:

¹ Fictitious name.

² See also Cleveland Manufacturers' Association, page 418.

There shall be a permanent board of referees of three persons This board shall have power: to adjust matters which cannot be settled between the parties, to establish periodic wage scales for the industry, and to see that this agreement is fairly lived up to by the parties hereto.

On or about October first of each year, the referees shall take up the matter of wage scales, and on or about November first shall make such changes in the then existing scale as shall, in their judgment, seem advisable.

The wage scale shall be determined after thorough investigation of all ascertainable facts, with due regard to the public interest, fair and equitable wages conforming to American standards, and to the progress and prosperity of the industry. A united effort shall be made to promote all interests by increasing continuity of employment.

Disputes between an employer and an employee in an individual shop, affecting a member of the union, shall first be taken up between the employer or his representative and the worker concerned or his representative, who must be an employee of such shop, for the purpose of adjusting the differences between them. In case of failure to make satisfactory adjustment, the matter shall then be taken up by the manager of the union and the manager of the manufacturers' association.

Disputes of a general nature concerning such matters as hours of work, general sanitary standards, general wage scales and classifications in connection therewith, and so forth, shall be taken up directly by the manager of the union and the manager of the manufacturers' association.

If they fail in either case to make a satisfactory adjustment, the dispute shall then be arbitrated by the representative of the referees appointed for that purpose and vested with the full power of the board of referees, subject only to a right of appeal to the board from his decision on matters relating to principle or policy. This representative shall reside in Cleveland, and may be called upon at any time for the investigation or hearing of cases properly brought before him. No case shall be heard by him, or by the board, which has not first been taken up in the successive steps set forth above. The decision of the representative is final unless and until overruled or modified by the board of referees except where a member of the board, upon cause shown, shall deem it advisable to suspend execution of the decision of the representative, pending appeal.

The principle of week work is approved. The definite arrangements which shall be worked out jointly under the direction of the referees during the next year shall have due regard to the productive value of the individual worker, based on fair and accurate standards, which standards shall be subject to review by the referees.

The manufacturers' association and the union shall cooperate as required by the referees in seeing that all of their decisions, rulings, promulgations, or disciplinary measures, are faithfully executed or complied with.

Every worker shall work for, be paid by, and bargain with the firm in whose shop he is employed, and not [be paid] by any other employee of that firm. This clause relates to the abolishment of inside sub-contracting.

All workers in outside shops located in Cuyahoga County shall receive the same scale of wages as established by the referees for the workers in the inside shops. No employer of the association shall knowingly continue to give work to any such outside shop which does not maintain this scale, or which otherwise fails to abide by any awards, rulings or decisions of the referees, or which shall refuse to submit a dispute to the referees or their representative.

The representative of the referees may hear any complaint as to such shops or contractors, and where he finds that the standard is not being lived up to in any such outside shop, he may forbid the letting of any further contracts by any of the manufacturers to such outside contractor until the contractor shall have paid up all the back pay owing under the referees' wage scale, or have made such other restitution as may be necessary to bring him into line with the aforesaid standards.

The referees shall have authority to decide any complaint with respect to any shop in the vicinity of Cleveland doing work for any manufacturer, party to this agreement, giving due consideration to the proper interests of the parties to this agreement.

A joint board of sanitary control may be created by the referees.

This agreement shall be so administered that the position of neither of the parties to it shall be intentionally weakened. On the contrary, it is expressly understood that each party shall assist so far as possible in maintaining the integrity of the other.

Any member of either group guilty of violating this agreement shall be disciplined on order of the referees.

During slack periods, the work shall be distributed among all the workers of a given shop, or of a given division of that shop, as equitably as possible.

This agreement shall remain in force until December 31, 1921, and shall be automatically renewed for another year, and so on, for each succeeding year, subject only to the right of either party to terminate it on December 31, 1921, or on December 31 of any succeeding year, by giving written notice of at least three months before the end of such year. Either party may, upon similar notice, at such periods, suggest amendments or a reconsideration of the terms of the agreement as a whole, in which case the referees shall call the parties into conference during the three months' period and whatever changes may be agreed on shall become effective at the beginning of the next yearly period.

There shall be no strikes or lockouts during the life of this agreement, unless previously authorized by the referees.

The agreement was signed by the members of the manufacturers' association, by the representatives of the national labor union, by the representatives of the Cleveland local unions affili-

ated with the national union, and by the members of the arbitration board mentioned in the agreement.

The Ilman Company was organized to produce on a large scale. This was also true of most of the manufacturers in the association. The equipment used in the trade, however, was not such as to make its concentration in a large plant especially advantageous. The equipment was light and inexpensive. Its units were operated by individual workers, and for the most part were driven by electric power.

No technical manufacturing staff was needed in any plant, regardless of its size, for the reason that mechanical problems concerning equipment were dealt with by the equipment manufacturers. The only technical staff required in the industry was that in charge of creating and modifying designs. These functions could be performed by jobbers or manufacturers, whether they controlled the actual manufacturing operations, or merely furnished materials and patterns to subcontractors for making up.

Large plants could not be used at night, because of legislation prohibiting night work for women. The industry employed as many women as men, and the legal working schedule for women really governed the working schedule of a large plant.

In New York City, the chief manufacturing center of the trade, the industry was carried on chiefly in contractors' small shops. That form of industrial organization, together with New York City's large supply of skilled garment workers and of unskilled men and women laborers, made it relatively easy for the New York City industry to expand or contract its producing capacity in harmony with the seasonal fluctuations of sales. That type of organization, moreover, did not saddle the so-called manufacturer with heavy fixed expenses.

Outside shops frequently could undertake work at prices less than the large-scale manufacturers had to pay to have the work done in their plants. The employees in outside shops in this industry usually were drawn from the neighborhoods of the shops; they spent no car fare in going to and from work, the women among them could dress inexpensively, and they could work in the shops in addition to carrying on their household duties. The fact that these women's wages were a supplementary part rather than the chief source of the family incomes tended to cause their acquiescence in terms offered them by the contractor. The supply

of this type of labor was not sensitive to wage changes and the people were poor bargainners.

The proprietor of an outside shop had small overhead expense. In New York City some of the work was carried on in the living quarters of the contractors, but in Cleveland, fire regulations prohibited the use of pressing equipment in the home, and in that city outbuildings of cheap construction housed the manufacture. The contractor acted as the supervisor in the shop, and he insisted upon maximum performance. The supervisory expense was low and the supervision, of its kind, was effective.

Little capital and only a limited degree of administrative ability were required to begin business as a contractor. The number of contractors tended to become excessive, and in their competition for work they quoted prices which yielded them, as proprietors, annual individual incomes less than the average yearly wages of employees in their shops. As wages were a contractor's chief item of outlay, he concentrated attention upon methods of reducing them. The organization of the industry, and the circumstances under which it was conducted, caused the free and individual bargaining system to result in the employees' exploitation. The contractor drove his workers at top speed on profitable contracts so as to gain additional work of that kind. The speed reacted unfavorably on quality. When the contractor made a poor bargain with one manufacturer, he attempted to obtain work from some other manufacturer and put off the making of the unprofitable lot. The manufacturers, as a result, did not have strict control over manufacturing operations.

The Cleveland manufacturers had their rapid growth during the years between 1900 and 1920, when tailored suits and skirts were in vogue, and while women in families of moderate means, particularly in the Middle West, were turning from clothing tailored in the home or in a neighborhood establishment to factory-made garments, which for the same price were better tailored. In those years the Cleveland manufacturers established a reputation for quality in the better grades of women's clothing. They did not enter the ultrafashionable or the very expensive lines, the market for which was centered in New York City.

In 1921, women apparently preferred stylish, light, and loose garments to the more fully standardized and strictly tailored garments previously popular. The style risk in the industry was

increased in consequence,³ and retailers hesitated to place orders in advance. Retailers concentrated their attention upon New York City, the country's style market in women's wear, and the Cleveland manufacturers were at a marketing disadvantage. The retailers' buying methods tended to prevent the Cleveland manufacturers from operating under the former plan of producing large lots to fill orders placed in advance of a season.

New York City was the style center of the United States. There the dominant fashions for a season were determined. There retailers sent their buyers. The seller of garments in New York City did not have to maintain a traveling sales force as did his Cleveland competitor. He could show a wider line in his showrooms than a traveling salesman could carry economically upon trips to the retail trade. Because of the organization of the industry in New York City, which reflected the ample labor supply there, the New York City manufacturer could make garments promptly and cheaply and satisfy the hand-to-mouth demands of retailers. Small retail establishments throughout the United States continued to buy from traveling salesmen, however, and in catering to such establishments in the Middle West the Cleveland manufacturers were advantageously situated.

The chief advantages of the large inside shops in Cleveland, as opposed to the small outside shops used extensively in New York City, were greater control over workmanship, less waste of material and trimmings, and better employee morale as a result of regular employment. Because the Cleveland manufacturers, prior to 1918, had been able to market styles in advance of consumer demand and to make large lots of particular models, it had been possible for them to subdivide their manufacturing processes, use a relatively large proportion of unskilled and women workers, and, because of their regular operations, pay a somewhat lower wage per week than the New York City manufacturers paid. It was alleged, however, that notwithstanding the slightly lower weekly wage scale in Cleveland, the average annual income of the workers there was greater than the average annual income of the workers in New York City.

The union brought its charges against the Ilman Company before the representative of the board of referees, known as the

³ See also Samoset Company, 3 H.B.R. 294.

impartial chairman. The union representatives held that the company had violated its agreement. The testimony and records produced at the hearing were unsatisfactory, and the impartial chairman therefore made a personal investigation, with a representative of the union and a representative of the manufacturers' association, of a number of the outside shops involved in the case. He also conferred with a number of individuals acquainted with the controversy.

From the investigation and the testimony of the parties, it appeared that a majority of the garments sold by the Ilman Company had been made in New York City. Of the garments manufactured in Cleveland for the company, about one-third were manufactured inside its factory and about two-thirds were manufactured in outside shops. Those garments made in the factory ranged in selling price from \$7.75 to \$65, and those made in the outside shops ranged in price from \$7.75 to \$42.50. In some cases, garments of the same style were made up in outside shops and also inside the factory. Their labor cost in the outside shops was less than their labor cost inside the factory by as much as from 20 cents to \$1 a garment. In some instances the outside shops returned the garments and refused to make them because the piece price offered was too low. After negotiations, higher prices were agreed upon in some of those cases. The outside shops paying the union rate of wages had had the most difficulty with the firm in this regard.

The impartial chairman found that the company had garments made in outside shops in Cleveland when its own employees were idle. The firm had not at all times given its inside workers an opportunity to make a garment before sending it to an outside shop. When the firm offered garments to the inside workers it had fixed a price and allowed the workers only the alternative of accepting or rejecting the proposal. In these cases there was no opportunity to bargain and agree upon a price that might be mutually satisfactory. In other factories, operated by members of the manufacturers' association, work was not sent to outside shops while the workers in the factory were idle. In any event, the greater part of the garments were manufactured inside those factories, and in the spring of 1921 but a small proportion of the garments made in Cleveland were manufactured in outside

shops. For the most part, the garments that were made in outside shops were of the cheapest type.

In his investigation the impartial chairman found that the Ilman Company had sent work to several outside shops which were unsanitary and whose working conditions were below the standards adopted for the industry by the union and the manufacturers' association. Five of the outside shops, however, met with the chairman's approval.

Three of the shops used by the Ilman Company appeared to be cleaning shops primarily in which manufacturing work was taken only during dull times. Four of the shops used by the company were paying rates less than those established by the referees. Two shops were household establishments. The impartial chairman reported one of these shops to be "one of the worst places in which garments are being made. The man in charge is an invalid who lives with his wife and daughter in two rooms and an alcove. One immigrant man is working with them. The place is thoroughly unsanitary."

The impartial chairman's decision in this case may be summarized briefly as follows: The company failed, at times knowingly, to live up to the agreement between the manufacturers' association, of which it was a member, and the union.

It was not possible to determine accurately the wages which the workers in the company's plant would have received if the work performed outside had been done there. To compensate those employees in some measure, however, the impartial chairman ordered the company to pay to each operator, finisher, and presser in its employ an amount equal to 10% of his or her total earnings for the months of December, January, and February just preceding the case, which was decided in March, 1921.

The impartial chairman ordered the firm further not to give work to outside shops at any time when the inside workers were idle. He stated that the firm must adhere to the general policy of the local industry, which recognized the obligation of the manufacturer to keep his employees occupied with work in so far as possible. The company was directed to guarantee to its employees for the month of March not less than the minimum scale of wages established by the arbitrators for the respective types of work.

If the management and the workers could not agree upon a

wage rate for any garment, the rate was to be settled by a committee upon which both sides were to be equally represented. The impartial chairman suggested an alternative method of procedure by which an "over-all" time study would be made and, on the basis of reasonable production standards, weekly rates established for the various operators in question. Thus, also, piece rates might be determined.

The company was ordered not to give work to any outside shop except upon reasonable knowledge, after investigation, that it was a proper shop, particularly in the matter of sanitation, wages, and hours. The chairman listed 12 shops as "improper." No work was to be sent to any of those shops until the managers of the union and of the association had approved them.

COMMENTARY: The focal point of this case was the subcontracting of work so that it was done in establishments where wage rates were less than the union scale, by an employer who was a party to the agreement under which that scale was set.

This group of manufacturers desired to establish uniform wage rates for similar work in their shops. In that effort they set up agencies to fix tasks by time studies and they empowered an arbitral board to establish weekly minimum wage rates to be paid for a standard amount of work. The manufacturers, as a group, could not permit the subcontracting of work to go on unregulated. Individual companies, seeking immediate profit through subcontracting at less-than-market rates, would impair the labor standards of the market and would jeopardize the success of the entire collective experiment. The terms of the agreement quoted in the case were intended to prevent or correct such abuses.

The farsighted and socially minded manufacturers in the trade recognized the evils of the subcontracting system. The system disseminated responsibility for employment and working conditions among many subemployers. Although this freed the manufacturers from labor problems for the time being, the manufacturers suffered when the workers revolted and tied up production.

From the evils of this situation the garment workers were emerging during the World War. Their improved situation resulted largely from the enforced curtailment of immigration during the war. In their newly acquired power they demanded the correction of the abuses of the subcontracting system, as well as increased wages and reductions in the number of hours worked weekly.

By the use of the outside shop, the industry was able to accommodate manufacturing capacity to a sharply fluctuating seasonal demand for

products. The signers of this agreement did not intend to abolish the use of the outside shop, but to regulate it and improve its standards.

The agreement in this case provided that outside shops were to maintain the same standards of wages that were effective in inside shops, and that work was not to be given to outside shops while workers employed in the inside shops were idle. The Ilman Company, however, had not used outside shops to supplement its manufacturing capacity, but rather to reduce its expenses for wages below the level established by the referees. The workers in its inside shops were idle or working on a part-time basis, and they would have been able to process the work which the company gave to the outside shops.

The Ilman Company's action was undermining the wage and labor cost standards that were being established in the Cleveland branch of the industry. The action tended to disrupt the confidence of the union and the association in one another and to diminish the possibilities of their cooperative efforts.

The outside-shop system was open to abuse, but, on the other hand, it was a useful and economical adjunct to the large inside-shop manufacture. The arbitrator had to regulate strictly the use of the outside shop in the interest both of employees and of a majority of the employers in the Cleveland industry as it was organized at the time of the case.

This experiment in Cleveland to elevate labor standards was conditioned fundamentally by the developments in other women's garment manufacturing centers, chiefly those in New York City. Even though production standards, wage stabilization, and freedom from strikes were to have a beneficial effect upon the competitive position of the Cleveland manufacturers, those arrangements would continue to be of operating significance only in case manufacturing and selling costs in Cleveland enabled manufacturers there to compete successfully with producers elsewhere.

The Cleveland manufactures were large and stable enterprises and the union there could detect departures from the established standards as, for example, it did in this case of the Ilman Company. Union control was difficult in New York City, because the industry there was carried on in thousands of subcontractors' shops. Labor costs in New York were whittled down by various bargaining devices, chiefly the exaction of a larger amount of work for the standard weekly wage, so that the union wage scale of New York City, contrasted with that of Cleveland, did not furnish an accurate indication of relative labor costs in the two cities.

The economies of large-scale production in the women's garment industry were slight. Some of the factors underlying this condition were

unstandardized product, custom manufacture rather than manufacture to stock, varying sizes of manufacturing orders, inability to plan ahead and stabilize operations, seasonal nature of demand, types of machinery used, ability of semiskilled and unskilled workers to perform many of the manufacturing operations, and the possibility which small shops had of employing women living in their neighborhoods. No technical manufacturing staff was necessary. The fixed expenses of a large plant in the industry were heavy, for one reason because the industry, to gain an ample supply of labor, had located in large urban centers where floor-space costs were high. Designing was more a merchandising than a manufacturing function, moreover, and could be performed by a merchandising enterprise which had no direct control over large plant facilities.

The manufacturer with large fixed expenses had to shoulder increased hazards in dealing with the union. Those overhead costs dictated early capitulation to union demands lest a strike impose serious loss through curtailment of opportunity to absorb the expenses in manufacturing product. In large-scale manufacture, supervisors' salaries were an item of fixed expense. From the manufacturer's standpoint, the supervisory costs of manufacture under the subcontracting system were reduced to a negligible amount and were not fixed expenses.

The trend of the industry indicated that under the then existing marketing conditions the advantages of decentralized and small-scale neighborhood manufacture more than balanced the advantages of large-scale manufacture. The merits of large-scale operations weighed more heavily with the manufacturers of the highest grades of merchandise, because of the manufacturer's ability under that system to control the quality of workmanship and the employees' use of expensive materials.

At the time of this case the Cleveland industry, speaking broadly, was at no serious manufacturing disadvantage. In the production of conservative models it was able to compete successfully with New York City, but it was at a disadvantage in marketing its wares.

If consumers had demanded conservative patterns to an increasing extent, the Cleveland manufacturers' competitive position would have improved. Their manufacturing technique yielded sanitary, carefully inspected, and correctly tailored garments at low cost. In the distribution of conservative patterns, their salesmen probably could have met the demands of retailers on deliveries, style selection, and price. As the trend was in the opposite direction, however, the New York type of business organization was better fitted to survive in the competitive struggle. So long as that trend prevailed, the beneficial effect which the labor relations program in Cleveland had on manufacturing cost and quality was being offset by marketing disadvantages.

PRINTERS' LEAGUE OF NEW YORK CITY
EMPLOYERS' ASSOCIATION

WAGES—*Increase in Contract Rates Based on Rising Living Costs Granted after Union Strike.* In 1916 a local union in the New York City printing trade, temporarily independent of the corresponding international union, renewed a wage contract with an employers' association. This contract, to terminate in 1919, was not underwritten by the international union. Other local unions in the industry were working under contracts made in 1914. In the spring and summer of 1917 this union and one other requested an increase in wages of \$4 a week over the contract scale, on the basis of rising living costs not foreseen at the execution of the contract. After the employers had refused to arbitrate the request under an existing arbitration agreement, and had made unsatisfactory counter proposals, the men in the independent union struck and refused to return to work though requested to do so by the union officials. The employers then decided, after consulting the president of the international union concerned, to grant the increase to the two local unions.

ARBITRATION OF LABOR DISPUTES—*Employers' Refusal to Arbitrate Union's Request for Wage Increase during Period of Wage Contract.* In 1917, because of rapidly and unexpectedly rising living costs, a New York City local printing trade union, temporarily independent of the corresponding international union, and another local union, requested an employers' association to arbitrate the question of increasing the wage scale above that then in effect through a formal wage contract made in 1916 and to terminate in 1919. The union contended that this question came within the provisions of an arbitration agreement also in effect between the local employers and the union. The employers' association decided repeatedly that the question should not be arbitrated during the existence of the separate wage contract, lest the stability of the industry be endangered.

(1917)

On April 21, 1917, the Printers' League, which directed all labor relations of the Association of Employing Printers of New York City, received a request from one of the local printing pressroom unions for a joint conference to adjust the contract wage scale to the current cost of living. Although the wage contract would not terminate until October 1, 1919, the union was of the opinion that a clause in a separate arbitration agreement existing between the league and the union permitted a change in the wage scale when general economic conditions changed.

As a result of conditions arising from the World War, living costs had increased approximately 20% since this union had entered into the wage contract in June of the preceding year.

New York City occupied a strong position in the printing industry. According to the United States census report, over one-fourth of the printing and publishing produced in the United States in 1914 was produced in New York City. The industry there reported, for that year, 2,650 establishments, 68,540 persons, \$76,955,000 in salaries and wages, \$155,587,228 in invested capital, and \$215,570,954 in value of output.

Printing shops in New York City ranged in size from the one-man shop with its small job press and few frames of type to the establishment with 75 presses and a modern composing room employing 300 hand and machine compositors.¹ These shops were of two major types: the newspaper office which, through its publications, sold a service to the public in furnishing daily news, and the commercial and job printing establishments which produced a manufactured article sold in bulk, under highly competitive conditions, to publishers. The commercial and job printing shops produced over two-thirds of the printing in New York. The commercial shops, with hand and machine composing room equipment and cylinder, web, and job presses, printed books, magazines, and catalogs; the small job shops, with only hand type equipment and job presses, printed chiefly handbills, cards, stationery, booklets, and price lists.

Employees in the mechanical departments could be classified broadly into four groups. Arranged in the order of their sequence in the productive processes, these groups were compositors, pressmen, binders, and mailers. It was estimated that over 37,000 workers were employed in the mechanical departments of the industry in New York City on January 1, 1917. Approximately 26,000 of these, or 70%, were compositors, pressmen, and press feeders, the estimated number in each group being respectively 15,278; 4,900; and 5,875. Of the 26,000, 3,700 worked in newspaper offices; the balance were employed in the commercial and job printing shops. This estimate included both

¹ A survey of New York City industries made at about this time reported the number of men employed in 722 printing shops, by groups, as follows: 318 shops employing from 1 to 5 workers; 164, employing from 6 to 10 workers; 167, employing from 11 to 25 workers; 52, employing from 26 to 50 workers; and 21, employing over 50 workers.

union and nonunion workers. About 50% of the shops were unionized. These, being the larger establishments, produced approximately 75% of the total output of the industry in New York City.

There was little variation month by month in the number of men employed in the printing industry. Between 70% and 75% of the workers in the commercial job branch of the printing industry in New York City were native born. The contrast in this respect with other industries was strikingly apparent; in the building trades, for example, only 25% to 30% of the workers were native born.

The owners of the printing plants were represented in 1917 by the Association of Employing Printers of New York City, an amalgamation of the New York Typothetae with the Printers' League. Each association retained autonomy over certain phases of its work. The entire group, representing approximately 650 shops, 250 of which were in the Printers' League or "closed shop" section, was affiliated with the United Typothetae of America, a national trade association.

Employers in two branches of the industry were organized independently of the Association of Employing Printers of New York City; their organizations were the Association of Employing Electrotypers and Stereotypers of New York and the Board of Trade Photo Engravers of New York, Incorporated.

In addition to these associations in the printing industry there were the associations of publishers in New York City, the Periodical Publishers' Association, and the Book Publishers' Association. The publishers were merchandisers of text and advertising copy, while the printers were manufacturers of books and other printed material.

The Association of Employing Printers of New York City dealt largely with legislative problems of the industry. The Typothetae Section of the association had jurisdiction over commercial relations within the association, and the Printers' League Section over relations with labor unions. It was the practice of the Printers' League to appoint an executive committee, which usually consisted of five members.

The Printers' League was organized in 1907 by employers who desired to deal with the printing trade unions after the New York branch of the United Typothetae declared against that policy as

a result of the strike of 1905-1907 for the eight-hour day. In 1916 the Printers' League was amalgamated with the Typothetae so far as commercial relations were concerned, but the League continued its autonomy in matters of labor relations.

The Printers' League dealt with the following unions:

I. Affiliated with International Typographical Union

<i>Membership</i>	<i>Local Union Affiliation</i>
6,500	Typographical Union No. 6 (Compositors)
200	Mailers' Union No. 6

II. Affiliated with the International Printing Pressmen and Assistants' Union of North America

<i>Membership</i>	<i>Local Union Affiliation</i>
2,800	New York Printing Pressmen and Assistants' Union No. 51
2,800	New York Pressmen's Assistants' and Feeders' Union No. 23
1,200	New York Platen Pressmen and Platen Pressmen's Assistants' Union No. 1
1,000	New York Paper Handlers' Union No. 1

III. Affiliated with the International Brotherhood of Bookbinders

<i>Membership</i>	<i>Local Union Affiliation</i>
1,000	Bookbinders No. 1
2,100	Bindery Workers (Women) No. 43
350	Stampers and Layers No. 22
250	Blank Bookbinders No. 6
200	Paper Rulers No. 9
900	Paper Cutters' Union No. 119
450	Bookbinders' Union No. 24

The Association of Employing Electrotypers and Stereotypers of New York dealt with the 700 members of Electrotypers' Union No. 100, which was affiliated with the International Stereotypers' and Electrotypers' Union. The Board of Trade Photo Engravers of New York, Incorporated, dealt with the 1,250 members of the New York Photo Engravers' Union No. 1, which was affiliated with the International Photo Engravers' Union of North America. All the local unions named were members of the Local Allied Printing Trades Council of New York City and members of the Central Federation of Labor of New York City. The international unions named were affiliated with the American Federation of Labor.

In the main, the union wage agreements which were in effect in the New York printing industry in 1917 were distinct from the union arbitration agreements in effect at that time. The wage contracts would terminate at times when the arbitration contracts with the same unions still were in effect.

Since the strike and lockout of 1905-1907 on the eight-hour day issue, the relations between the unions and the employers in the industry in New York City had been free from any serious controversies or disturbances. Arbitration agreements had provided for local arbitration boards with an impartial umpire in the case of a deadlock. An executive committee of the Printers' League represented the proprietors of union shops before arbitration boards; the committee met an equal number of representatives from the respective unions to adjudicate questions arising under existing contracts or in the extension or renewal of contracts.

On June 1, 1916, Pressmen's Assistants and Feeders' Union No. 23, known as Franklin Union No. 23, had signed a contract to run until September 30, 1919, which established a weekly wage scale of \$17.50 until June 1, 1917, and a wage scale of \$18 a week thereafter until the termination of the contract. On April 21, 1917, this union addressed a letter to the Printers' League which read in part as follows:

This is to advise you that Franklin Union No. 23, Incorporated, desires to meet with the Conference Committee of the Printers' League. The purpose of said conference is the adjustment of the present scale of wages to conform with the present cost of living, and so forth.

This communication was discussed at a meeting of the executive committee of the Printers' League on May 13, and the secretary of the league was instructed to write the union that, as the league was working under a wage agreement, it could not understand the proposal of the union, but that it would appoint a committee to meet union representatives to learn what they had to say. At that same meeting of the committee of the league, a communication from Paper Handlers' Union No. 1 was read; that communication requested an increase in wages in view of the sharply rising cost of living.

Two days later a special conference was held between the executive committee of the league and representatives of Franklin Union No. 23. At that meeting the league committee stated that

the league proposed to adhere to the existing contract with Franklin Union No. 23, which provided for an increase in wages on June 1, 1917. The union replied that, although it recognized the same contract, it thought that the increased cost of living warranted a request for higher wages than the agreement stipulated. The union's representatives contended that clauses in the arbitration agreement existing between the two parties authorized either party, upon a substantial change in conditions, to reopen the question of the wage scale and negotiate new terms. The union's spokesmen held that the increased cost of living had not been foreseen when the existing wage agreement was signed.

The clauses in the arbitration agreement to which Franklin Union No. 23 referred were:

Any changes in the scale of wages or schedule of working hours shall be settled by conference or arbitration in accordance with the provisions of this agreement, except that no new scale or readjustment of hours shall become effective until six months after notice of desired change was first given.

All disputes arising over provisions relating to wages, hours, or working conditions in contracts now existing or in renewing or extending contracts, or over new conditions or the introduction of new machinery shall likewise be subject to arbitration under the provisions of this agreement, if such disputes cannot be adjusted through conciliation.

After an extended discussion, the union representatives quoted official figures to the effect that the cost of food products had increased 24% since the wage agreement was entered into; the union representatives then requested a 24% increase in wages. The meeting adjourned after the league committee agreed to refer the question for decision to the general membership of the league.

On May 28 the Printers' League, in special session, considered Franklin Union's request. After much discussion, the league adopted a resolution denying the application of the union and stating "that the contract must continue in force until its termination."

At this same meeting, the league instructed its secretary to write to the president of the International Printing Pressmen and Assistants' Union of North America with regard to threats that had been made by that union's members to abrogate the contract in New York City. That contract, however, had not been

underwritten by the international organization,² because the relationship between Local No. 23 and the international organization had been severed a short time before the negotiation of the contract.

About the middle of July, 1917, Franklin Union again requested an increase in wages over the scale agreed upon, and asked that this demand be referred to arbitration. The executive committee of the league met and decided that the general membership already had settled the question by voting to refuse the demand. The committee communicated this view to the union.

At this meeting of the executive committee a letter was read from Printing Pressmen and Assistants' Union No. 51, which "earnestly urged" the employers to raise wages 20% in view of the increased cost of living. The executive committee unanimously decided that its action upon Franklin Union's request should govern it in replying to this request of Pressmen's Union No. 51.

On August 9 the Printers' League committee met representatives of Pressmen's Union No. 51 to reconsider the union's request for a wage increase. The union representatives argued that the increased cost of living caused by the World War had not been anticipated by any one when the union agreement was signed; they held that the existing situation justified a wage adjustment, notwithstanding the terms of the agreement.

The league committee argued this question was of great importance as affecting the stability of contracts; that, through a course of years, the union wage contracts had enabled the employers to carry on business with confidence that labor costs would not vary substantially during the existence of a contract. If it were to be decided that, because of unforeseen conditions, wage contracts could be opened on demand by either party, the employers' relations with their employees might revert to the former disordered and unsatisfactory conditions. The league committee recognized that the cost of living had increased, but it refused to grant the wage increase requested by the union. The league committee thought the arbitration agreement sufficiently

² A national union, by underwriting an agreement of a member local union, guarantees that the terms of the agreement will be carried out either by the local union or by the national union in the event that the local defaults.

The word "international" is used by a number of American national trade unions to indicate that they have district and local branches in Canada.

broad and elastic to provide for the settlement of any controversy that might arise, but it did not see how the agreement would apply to the issue the pressmen presented.

The union representatives took the position that the arbitration agreement applied to any dispute. The union representatives held that they did not present a demand but a contention that conditions warranted a reconsideration of the wage scale and its readjustment. They emphasized that the union had no intention of breaking the contract with the league, which, the union believed, had been mutually advantageous. The union spokesmen were convinced, however, that the abnormal situation should be recognized definitely by the league and that an agreement could be reached which would not be considered as affecting the stability of contracts.

At a special meeting of the league on October 4, it was declared unanimously that the proposition of Pressmen's Union No. 51 for opening the scale contract which did not expire until October 1, 1919, should be denied.

Before noon of October 9, 70 members of Franklin Union No. 23, employed at the S. Press, by petition requested a \$4 increase in weekly wages. Upon presenting this petition they ceased work. When informed that their petition would be referred to the Printers' League for action, they returned to work. After lunch, however, they went to the foreman one at a time, informed him that they were "through," and left the plant.

On October 11, at a special conference between representatives of the Printers' League, of Pressmen's Union No. 51, and of Franklin Union No. 23, the officers of the latter organization held that the situation at the S. Press was the outcome of the firm's attitude toward the pressmen. Those union officers said that a petition regarding change of pay day had been ignored a few weeks before, and that the petitioners on October 9 were not granted even a hearing.

At a meeting of the Printers' League held October 12 to consider the S. Press strike, the secretary read the following telegram which had been sent by the league to the president of the International Printing Pressmen's Union:

Seventy press assistants struck S. Press Wednesday two hours after demanding four dollar increase. Thursday night forty more quit without demands after working one hour. Franklin Union executive

board repudiates action but can't fill places. President and representative are weak or lukewarm, making petty excuses for strikers of individual action, etc. Scale increased last June runs two years more. Union meeting called for Sunday. Immediate and drastic action necessary if arbitration and scale contracts with your locals are not to be made scraps of paper.

At this meeting of the league a committee of employers was appointed to confer with the strikers, to urge them to return to work under conditions existing before the walkout, and to assure them that all grievances would be investigated. These employers dealt with the case as an isolated problem; they apparently did not regard it as symptomatic of general unrest. The committee attached more weight to the alleged personal grievances of the employees of the S..... Press than to the wage issue. The committee recommended that the league permit the S..... Press to make a temporary settlement with the strikers. This was done, the strikers receiving a \$1 increase in weekly wages.

Subsequently, the local union officials repudiated this strike as unauthorized and a violation of contract. The union ordered the men to remain at work and to decline the \$1 increase.

Through representatives at a meeting of the Printers' League on October 17, Pressmen's Union No. 51 reiterated its proposal for a 20% increase in wages; and Franklin Union No. 23 requested a \$4 increase in weekly rates. The Franklin Union officials pointed out that in consequence of low wages the feeders were turning to work in the war industries. The employers recognized the force of this contention, because the feeders were semiskilled workers adaptable to other machine operating tasks.

As a result of two meetings of a special committee of the League on War Relief, on October 19 and October 22, the following proposition, concerning which the committee advocated the widest publicity, was prepared to be submitted to the unions mentioned therein.

TO OUR EMPLOYEES WHO ARE MEMBERS OF PRESSMEN'S UNION,
NO. 51, AND FRANKLIN UNION, NO. 23

From and after November 1, 1917, for the period of the War and for thirty days thereafter, this establishment will pay the following sums of money as "war relief" to such of our employees hereinafter specified, who are members of the above named unions.

To those working under the agreed wage scale of \$18 to \$21 per week, \$2 per week war relief; to those working under the

agreed wage scale of \$21.50 per week, \$1.50 per week war relief; \$22 per week, \$1 per week war relief; \$22.50 per week, 50 cents per week war relief.

Our regular employees will be paid these respective sums, as war relief, whether they work the whole or any part of a week.

Subs or emergency feeders will receive 50 cents a day war relief, up to three days, and should they work more than three days, they will receive the same war relief per week as our regular employees.

Wages earned for work done outside of the regular day or night scale—namely, overtime—form no part of the computation in fixing the weekly wage scale of those receiving war relief hereunder.

These payments have nothing whatever to do with existing wage contracts between employers and the unions, which remain in full force and effect until the expiration of such contracts.

Should, however, at any time there be a breach of any of the terms of these existing contracts on the part of either of the unions or the members thereof, then this establishment reserves to itself the right to discontinue paying any further sums as war relief.

This proposal was ratified at a general meeting of the league on October 24. At the meeting it appeared that the special committee had prepared a statement to be placed in the daily newspapers of the city in anticipation of a strike of the press feeders.

At a special meeting of the league three days later, the secretary announced that Franklin Union No. 23 had rejected the proposition. He then read the following letter from Pressmen's Union No. 51:

This is to notify you that Pressmen's Union No. 51 at a special meeting held on October 26, 1917, decided as follows on the question of the increase of wages offered by your body.

This union voted almost unanimously against the acceptance of your offer of war relief as per submitted printed copy. We also voted that our original demand of a 20% increase on all scales must be put to arbitration at once.

We, therefore, expect to hear from you by Monday for a joint conference to perfect details for this arbitration proceeding.

Those present at this meeting of the league discussed the next step to be taken in the controversies with the pressroom unions. The possibility of a strike on the part of Franklin Union No. 23, which would be a violation of their contract, was frankly discussed, and the advisability of legal action in a case of violation of contract was considered. After much discussion, the following resolution was unanimously carried:

RESOLVED, That the Printers' League Section of the Association of

Employing Printers hereby reaffirms and will absolutely stand by the contracts made with the various unions in the printing trade, and be it further

RESOLVED, That we will submit to arbitration any and all questions in dispute with any of these unions if the same cannot be settled with any of these by conciliation, and be it further

RESOLVED, That the president of the Printers' League Section of the Association of Employing Printers be instructed to appoint a committee for that purpose to act with a like committee appointed by any union with which we have a contract.

On October 29 all the feeders of Franklin Union No. 23 ceased work and stated that they would not resume work until their demand for a \$4 increase had been granted. By this strike the union used direct action to force an issue which had been under consideration, without any conclusion having been arrived at, for a period of over six months.

On this same day a general meeting of the Printers' League was held to discuss the situation. Four proposals were considered, as follows: (1) to take legal action and endeavor to secure an injunction compelling Franklin Union No. 23 to abide by its agreement; (2) to request the president of the International Pressmen's Union to force the local union to keep its contract; (3) to call in a mediator from the state or national departments of labor; (4) to pay the increase demanded by the union. The league decided to act upon proposal No. 2. The same day also a committee of five, which had been appointed specially to handle the matter, went over the entire situation with the president of the International Pressmen's Union and the representative of Franklin Local Union No. 23. The following proposition was agreed to by all parties.

SUPPLEMENTARY AGREEMENT, OCTOBER 29, 1917

1. Restoration of the status quo and reestablishment of the agreement putting the members of No. 23 to work.

2. That a flat \$2 raise be given over such restoration of the status quo for six months, when if the conditions are similar it shall continue on conference for another agreed period.

3. That the difference between the two organizations of an additional \$2 for the same period of time be referred to arbitration.

4. That the arbitrators be selected by their respective bodies.

This supplemental agreement was adopted and ratified immediately by the negotiating committee of the Printers' League.

The membership of Franklin Union No. 23, however, at a meeting held the following night, voted against accepting the agreement and empowered representatives to meet with the league's special committee and to endeavor to convince the committee of the justice of the claim for a \$4 increase.

At a joint meeting the next day, the league committee contended that according to the league's agreement with the union all disputes should be arbitrated, and urged that the men go back to work and allow the matter to be decided by arbitration. The union representatives stated that although the league had refused to arbitrate the question at the time of the union's original proposition, and had argued that it was impossible to open the wage question, and although the union's position was stated, they would take back to the membership any proposition that the league was willing to submit; but that they had no power to do more. They called attention to the league's war relief proposal of October 24, and charged the league with attempting to exert influence over the union membership; they contended that this action was a violation of the contract. The league committee contended that the men should return to work immediately, pending the adjudication of the matter. The union spokesman said, in effect:

I cannot order our men back to work nor can the conference committee order our men back to work. The \$4 increase is so fixed in their minds that no power or union could force them to work unless it is granted. The men turned down the proposition put to them last night. They said that our conference committee was trying to put something over on them. Since last April, we have been trying to tell this to your organization. If some adjustment had been made in July, giving the men \$1 and another \$1 say around now, this would not have happened. The men say we dilly dally too much. They have now taken things into their own hands.

After some further negotiating, the league committee gave way and signed an agreement, incorporating the following provisions:

The men to go back to work at \$4 increased scale;

The conference committee to go before the union and secure the reaffirmation and reestablishment of the contract; and

The contract to be underwritten by the International Printing Pressmen's Union.

This agreement was ratified by the local union and the men returned to work, after having been on strike three days.³

³ For commentary covering this and the following case, see page 475.

PRINTERS' LEAGUE OF NEW YORK CITY

EMPLOYERS' ASSOCIATION

WORKING CONDITIONS—*Union Negotiations Leading to Adoption of 44-Hour Work Week.* After adoption on May 1, 1921, of a 44-hour work week to replace the current 48-hour week was proposed in April, 1919, by a joint council representing employing printers and international craft printing unions throughout the United States, the Printers' League of New York City, an association of closed-shop employers, was urged repeatedly by local unions to make the 44-hour week effective in October, 1919. The New York City employers were willing to accede to these requests, provided that other employers in the United States would do likewise. Efforts to persuade the other employers being futile, the Printers' League of New York City refused, because of the competitive disadvantages involved, to adopt the shorter week in the New York City trade before its adoption by the industry at large. The final joint council decision was to make May 1, 1921, the effective date of adoption.

UNION RELATIONS—*Employers' Refusal to Employ Members of Local Unions Expelled from International Union.* In 1919 several local unions in the New York City printing trade, which had seceded from their international union, called a strike against an employer who was a member of the Printers' League of New York City, an association of closed-shop employers. The Printers' League, on the ground that the strike was contrary to a contract between the League and the locals, requested aid from the international union, which had underwritten the contract. In promising aid, the international stated that its members and those of other international unions in the trade would not work with members of the secession locals, and that new locals were being formed to replace those which had seceded. The Printers' League, in view of these circumstances, decided to make no contracts with any local or international union not affiliated and in good standing with the American Federation of Labor, and to make no contracts or agreements with local unions, unless such contracts or agreements were underwritten by the respective international union. Accordingly, the league members announced their refusal to retain any members of the secession unions.

WAGES—*Provision in Contract with Union for Wage Readjustments Based on Changes in Costs of Living.* In the fall of 1919 a joint council representing employers and unions in the New York City printing industry proposed that in new contracts to be made with the unions, provisions be included for considering wage increases or decreases at six-month intervals if the cost-of-living figures of the Federal Department of Labor, Bureau of Statistics, had changed by 5% or more.

UNION RELATIONS—*Employers' Refusal, Despite Walkout, to Compromise*

Issues. After wage advances had been granted earlier in the year by a Federal labor board, questions relating to further wage increases, a shorter work week, and provisions for arbitration of labor disputes were the subject of continued negotiations between the Printers' League of New York City and several local and international unions. Refusal of the employers to accede to the demands of one of the local unions or to employ members of outlawed locals, and rejection by the union of the employers' counter proposals, led to a widespread walkout against the wishes of officials of other unions. Although this walkout caused local plants to shut down, and work to be done in other cities, the employers decided against making compromises, preferring to wait until the absentees returned to work.

PRICING—*Employers' Rejection of Plan for Price Fixing by Unionist Employees.* In the spring of 1919 some local unions in the New York City printing industry urged upon the Printers' League of New York City, an association of closed-shop employers, general adoption of a plan already in use in one branch of the trade, whereby the union concerned fixed the selling price of the product and the employer agreed to maintain that price. The league decided not to adopt that plan because, for the products it would apply to, it would amount to violation of the Sherman Anti-Trust law.

(1918-1919)

During the summer and fall of 1919 the Printers' League of New York City, an association of employers operating union shops, had to decide upon questions involving employment of members of outlaw unions, wage increases, adoption of a 44-hour work week, and shutdowns caused by strikes.

The employers, for some months before that time, had withstood strikes and threats of strikes by these local labor organizations. Doctrines of direct action had been gaining in popularity among the local organizations since 1917, when, for six months, the employers in negotiations had stressed the inviolability of the wage contracts in effect, and had refused to grant voluntarily a wage increase commensurate with the advanced cost of living. After that refusal, the press feeders' union, known as Franklin Union No. 23, by a three days' strike won the demand it had contended for in the negotiations. That victory gave a strong impetus to the views of the more radical faction in the local printing trades unions, who advocated economic pressure as the means for attaining better working conditions. For approximately 12 years prior to the press feeders' strike amicable and orderly relations, in contrast to direct action, had existed between the Printers' League and the printing trades unions.

After the press feeders in 1917 had won a \$4 advance in wages through a strike in violation of an arbitration agreement they had signed, the Printers' League made adjustments with other printing trades unions. On November 7, for example, the compositors, organized locally as Typographical Union No. 6, obtained a \$2 increase in weekly wages which was to be effective December 1, 1917, and for six months thereafter. At the end of that period, if conditions were similar the increase was to continue, on conference, for another agreed period.

The cost of living had continued to increase during 1918. In the early part of that year the unions requested wage increases in addition to those granted in the latter part of 1917. These requests were acted upon favorably. The adjustments made in 1917 and early in 1918 advanced the scales specified in the contracts, most of which ran until September 30, 1919, approximately \$6 a week. One exception was the scale of Franklin Union No. 23, which was increased \$7.

Further pressure, threats of strikes, and walkouts during the summer of 1918 led the employers to propose the reference of existing issues to the National War Labor Board. The unions interpreted this suggestion as a violation of contract. They stated that controversies should be referred to arbitration according to the terms of existing arbitration contracts. After considerable discussion, however, the unions joined the employers in referring their controversies to the National War Labor Board.

The National War Labor Board's award increased wages as follows:

	Increase
Franklin Union No. 23 (Press feeders)	\$6.00
Pressmen's Union No. 51	3.60
Typographical Union No. 6 (Compositors)	3.60
Sheet Straighteners	2.00
Paper Handlers	2.00
Job Pressmen	2.00

This award was unsatisfactory to the pressmen and compositors, and the pressmen threatened to strike unless given an increase equal to that awarded the press feeders of Franklin Union No. 23. This adjustment—namely, a uniform advance of \$6 per week to all organizations involved—was made by the National War Labor Board at the joint request of the employers and the unions.

The National War Labor Board's awards were to continue for the duration of the war, except that either party could reopen the case on May 1, 1919, for such adjustments as changed conditions then might render necessary.

On April 2 and April 4, 1919, representatives of the unions, in an allied group, met the negotiating committee of five men which represented the Printers' League. The chief issues discussed were increases in wages, the adoption of a 44-hour working week, and the adoption of a price-fixing plan similar to one which had been worked out by the Photo-Engravers' Union. After much discussion, the joint conference reported:

1. That there had not been a sufficient change in conditions to warrant a further increase in wages and that all further wage adjustments should be postponed until October 1, 1919, when wage contracts with many of the unions would expire.

2. The unions insisted that the 44-hour week should go into effect October 1, 1919, and the league's position was that it had no objection to October 1, 1919, or any other date, provided the 44-hour week went into effect nationally. Assurances were given to the unions by the employers that action would be taken to secure the national adoption of the 44-hour week in the industry.

3. The Photo-Engravers' plan was one under which the union fixed the selling price of the product and agreed with the employer that that selling price would be maintained or else the union would not work in the plant. The employers stated that they could not enter into such a plan because it would be contrary to the Sherman Anti-Trust law, but if the union could work out a proposition in compliance with the law, the employers would be glad to give it consideration. It was pointed out that aside from legal restrictions, there were certain difficulties involved in applying the Photo-Engravers' plan to the printing industry as contrasted to photo-engraving. The photo-engraving was sold on the basis of a unit of a square inch and was considered a service rather than a commodity, whereas the unit of production in printing was a variable and the product a commodity coming within the purview of the anti-trust laws.

About this time there was organized the so-called International Joint Conference Council in the printing industry, which was a national legislative body for most of the branches of the industry. The council was made up of the presidents of five international unions in the industry; those of the compositors, the pressmen, the bookbinders, the photo-engravers, and the stereotypers and electrotypers. The employers were represented by the chairman

of the closed-shop section of the United Typothetae of America¹; the president of the Printers' League of America, an organization of union shop printing establishments; a representative of the Association of Employing Electrotypers; and a representative of the bookbinding firms affiliated with the closed-shop section of the United Typothetae of America.

The International Joint Conference Council, about April 21, 1919, passed upon the time of introducing the 44-hour week into the industry. After controversy and discussion, the council finally put out a proposal that the 44-hour week be adopted nationally in the industry on May 1, 1921. Each representative at the conference was to report the proposal to his organization and urge its ratification.

The five international unions in the industry reserved to themselves complete autonomy within their respective crafts; each issued charters to subordinate local unions in various printing centers. The five international unions were organized into an alliance known as the International Allied Printing Trades Association. The subordinate local unions of the respective crafts located in a printing center usually were organized into an allied printing trades council, and these councils were responsible to the International Allied Printing Trades Association.

The international unions allied in the association had mutually agreed that in the event of a secession by locals of any one of them, they all would support the international union having internal difficulties in its suppression of the secession movement.

On May 28, 1919, a referendum vote was taken within the International Typographical Union on the question "Shall the 44-hour week become effective May 1, 1921?" The proposition was carried throughout the country by a majority of over 12,000. Typographical Union No. 6 of New York City, however, cast 5,600 votes against and 600 votes in favor of the proposal. The International Pressmen's Union ratified the proposal by more than a two-thirds majority. The convention of closed-shop employers also ratified the agreement regarding the introduction of

¹ The United Typothetae did not deal with labor problems. Its members dealt with those problems through two subordinate branches, known respectively as the open-shop section and the closed-shop section. These names indicate the different labor policies endorsed by members of the Typothetae. The Printers' League of New York City was the local branch of the closed-shop section of the United Typothetae.

the 44-hour week on May 1, 1921, as proposed by the International Joint Conference Council.

On August 1, 1919, a meeting was held between representatives of the Printers' League of New York City and of the several local unions in the printing industry there. Minutes of that meeting indicate that the spokesman of the employers had been at an employing printers' convention in Chicago and had urged other employers at that time to introduce the 44-hour week upon a date earlier than May 1, 1921. This effort had not been successful. The union representatives at the meeting of August 1 expressed their displeasure with the failure of the effort. The spokesman of Typographical Union No. 6 was reported to have said that the 44-hour week issue would not be arbitrated and pointed to the fact that the union had served notice on June 18, 1919, that it wished to terminate the existing arbitration agreement with the Printers' League of New York City. At this meeting, in sum, the unions either did not have their wage proposals prepared or they refused to discuss wages unless the Printers' League granted the 44-hour work week beginning October 1, 1919.

The names of the unions which were acting together in reference to the 44-hour work week, and their minimum weekly wage rates at the time, were: Typographical Union No. 6, \$36; Pressmen's Union No. 51, from \$31 to \$46; Franklin Union No. 23, \$30; Job Press Feeders' Union No. 1, \$22; Mailers' Union No. 6 (subordinate to International Typographical Union), \$28; Bookbinders' Unions Nos. 1, 6, 11, and 22, average \$36; Bookbinders' Union No. 43 (female), \$18.50 to \$22; Paper Cutters' Union No. 119 (subordinate to Bookbinders' Union), \$36; Paper Rulers' Union No. 9 (subordinate to Bookbinders' Union), \$36. The officials of each of these unions had stated to one another that their arbitration agreements terminated not later than September 30, 1919.

Electrotypers' Union No. 100 and Stereotypers' Union No. 1, which for some time had had the 44-hour week, and Photo-Engravers' Union No. 1, which by contract was to get that work week on January 1, 1920, did not join in the general movement. These three unions did not deal with the Printers' League, but with separate employers' associations known as the Employing Electrotypers' and Stereotypers' Association and the Board of Trade Photo-Engravers.

Arbitration agreements had been signed between almost all the unions engaged in the movement and the Printers' League, but notices had been served by the parties that termination of these agreements was to occur September 30, 1919. On June 18, Typographical Union No. 6 had served a two months' notice as required by its arbitration agreement. On June 30, Pressmen's Union No. 51 had given a 90 days' notice as required by its arbitration agreement. On June 1, 1919, Bookbinders' Union No. 1 had served 90 days' notice as required by its agreement. The Printers' League, on the other hand, had served 90 days' notice upon Franklin Union No. 23 on June 30, stating its desire to terminate the arbitration agreement between them.

On September 17, 1919, the Printers' League received official notice that Pressmen's Union No. 51 and Franklin Union No 23 were expelled from the International Pressmen's Union for non-payment of their per capita taxes or dues to the parent body. These actions by the parent body were a result of a culmination of differences between the New York City and other local unions on the one hand and the officials of the international organizations on the other.

These locals charged that there had been misappropriation of funds by the officers of the International Union. The locals also were dissatisfied with the International Union's law governing the referendum. The local unions involved included those in New York City, Philadelphia, St. Louis, Milwaukee, and Chicago. They refused to pay dues to the International Union and instead deposited them with a trustee pending the adjustment of the controversy. Representatives of these locals met in Chicago and decided upon a course of action, including the investigation of conditions in the International Union and the financing of a lawsuit against its officers. The locals claimed that they had made every effort to secure satisfaction while within the organization and that this action was necessary under the circumstances. The officers of the International Pressmen's Union and those of the other printing crafts unions viewed this action as secession and decided that the issue could not be compromised with, especially in view of pressure then being exerted by the radical factions in the local unions for greater freedom from the governing influence of the international unions.

Notwithstanding their expulsion, the local pressmen's unions in

New York City continued to act with the other unions during August and the first half of September, 1919.

After the three pressmen's unions had been suspended by the International Pressmen's Union, the latter began to form new local organizations, having the same numbers, 51, 23, and 1, as the "outlawed" locals. A minority of the membership of these local unions had remained loyal to the International, and these unionists formed a nucleus for the new organizations.

Meanwhile, the International Pressmen's Union took up the situation with the other international unions in the industry and obtained their promises of support in its effort to defeat the "outlawed" unions in New York City.

The next joint meeting between the Printers' League and the unions, held on August 26, 1919, was spent in discussing the 44-hour week. The president of Typographical Union No. 6, as spokesman for the local unions represented in the meeting, stated that the labor organizations stood firm for the 44-hour week effective October 1, 1919, that they would not arbitrate the question of working hours, and that further negotiations on wages or other matters were contingent on the employers' granting the 44-hour week effective October 1, 1919. In addition to this demand, however, the unions asked for a \$14 increase in weekly wages and additional overtime compensation.

On September 4, 1919, the joint conference reconvened and the employers replied to the unions' contentions by making the following proposals:

1. The 44-hour week, as has been pointed out, is under consideration by the representatives of the international unions and of the International Employers' Associations of the Allied Printing Trades and definite answer on this question will be given to the unions represented in this conference on September 19, 1919.

Unless No. 2 is accepted, the question of wage scale also to be taken up on September 19, 1919, since it is clear that the consideration of the number of hours of the working week is inseparable from the consideration of the scale of wages.

2. A \$5 increase in all scales on the basis of a 48-hour week with provision in contract for readjustment each six months on cost-of-living basis in accordance with the following clause:

Unless it can be shown by the cost-of-living figures of the United States Department of Labor Bureau of Statistics that during the six months' period from the date this contract is effective and at intervals of six months thereafter, the cost of living has increased 5% or more,

then and then only shall the officers of the union herein represented have the right to ask for a further readjustment of the wage scales herein set forth, provided that the percentage of increase shall apply only to the 1914 scales, the same basis as has been used to work out present scales, as embodied in this agreement, and further provided that should the cost of living for one of the six months' periods decrease by an amount equal to or exceeding the increases, then any increases above the amount now granted in this agreement may be decreased in the same proportion, provided that no figures shall reduce the scales below those set forth in this agreement.

3. An arbitration agreement or agreements which expire at a different date from the scale contracts, to be made a condition precedent to the signing of any new contracts. Present shop rules and overtime requirements to be continued until such time as they can be taken up through a joint study and the advisability of changes considered on the basis of the facts involved, and in cases of dispute, controversies settled by conciliation and arbitration.

4. Each agreement and contract to be underwritten by its respective International Union which shall also be a party thereto.

After these proposals had been read, the president of Typographical Union No. 6, speaking for his organization, the pressmen, and the press feeders, rejected the proposals and stated that the unions stood on their declarations of August 26.

After this meeting it seemed clear to the employers that the local Typographical Union and the pressmen's local unions were determined to gain concessions in New York City regardless of the results of the referenda on the 44-hour week taken throughout their respective unions. Such local concessions would impose serious competitive disadvantages upon the New York City printers. The employers thought these demands unjustified and decided to resist them.

The controversy in the Pressmen's Union came to a head on September 5, when the local officers of the old Franklin Union No. 23 ordered a strike in the Publishers' Printing Company on grounds of the employment by that company of two pressmen who held cards in the new locals being organized by the International Printing Pressmen's Union. The Printers' League declared this summary action to be contrary to an existing contract providing against strikes and establishing orderly methods for the adjustment of shop disputes. The Printers' League decided to call upon the International Printing Pressmen's Union, which had underwritten the contract, and to ask the International to carry out the

terms of the contract. The Printers' League was unwilling that the Publishers' Printing Company settle this issue upon some compromise basis, as the issue was of general significance. In response to the call of the Printers' League, the International Printing Pressmen's Union attempted to fill the places of the men on strike in the Publishers' Printing Company.

Early in September, 1919, the Printers' League was notified officially by the International Printing Pressmen's Union that Franklin Union No. 23, Pressmen's Union No. 51, and Job Press Feeders' Union No. 1, because of nonpayment of dues to their international union for six months, had forfeited their charters and that new local organizations were being established.

The International Printing Pressmen's Union also notified the Printers' League that it had enlisted the support of the other international unions in the printing industry and that the membership of those bodies would not work with members of the outlawed pressmen's unions in New York City. As a result of this action, the members of the employers' association were in a dilemma. To employ secessionist pressmen or press feeders would have caused them to lose the services of the photo-engravers, the electrotypers and stereotypers, and the bookbinders. On the other hand, to discharge the outlawed pressmen would have left them with practically no pressroom force. They, therefore, had to decide upon a definite course of action in supporting one or the other of the factions in the pressmen's union.

Because of the direct-action methods of the local Pressmen's Union and the position taken by their international organization, the Printers' League took a determined stand at a joint meeting with local printing trade union officials on September 19, 1919. The stand was that Printers' League employers would make no contracts with any local union not in good standing with an international union affiliated with the American Federation of Labor, and that they would make no contracts or agreements with local unions unless the agreements were underwritten by the respective international unions, which also would be parties thereto.

In consequence of this announcement, representatives of Pressmen's Union No. 51 and Franklin Union No. 23 withdrew from the meeting and left their interests in the hands of the representative of Typographical Union No. 6. The chairman of the league committee then stated that further negotiations would

depend upon whether Typographical Union No. 6 would enter into an arbitration agreement, and submitted on behalf of the league the following propositions:

1. The arbitration agreement or agreements which expire at a different date from the scale contracts, to be made a condition precedent to the signing of any new contracts. Present shop rules and overtime requirements to be continued until such time as they can be taken up through a joint study and the advisability of changes considered on the basis of the facts involved, and in cases of dispute, the controversy settled by conciliation and arbitration.

2. Each agreement or contract with a local union to be approved by the respective International Union, as in the past.

3. The introduction of the 44-hour week, to take place on May 1, 1921.

4. A \$6 increase in all scales, on basis of 48-hour week with provision in contract for readjustment each six months on cost-of-living basis, in accordance with the clause proposed September 4.

These proposals were rejected by the president of Typographical Union No. 6, who also refused to arbitrate the issues in controversy.

About this time, Bookbinders' Unions Nos. 1, 6, and 43, Paper Cutters' Union No. 119, Paper Rulers' Union No. 9, and Mailers' Union No. 6 stated that they had been mistaken in their previous statement to the effect that they had no contracts outstanding beyond September 30 and that, in fact, they did have arbitration agreements which extended beyond that date. They, therefore, accepted the increase of \$6 a week which had been offered by the employers and stated that they were agreed to the postponement of the 44-hour week until May 1, 1921.

On September 30, all the members of the Printers' League posted notices in their respective plants stating that on and after October 1, 1919, none but members of local unions in good standing with their respective internationals affiliated with the American Federation of Labor would be employed. The Printers' League instructed its members to close their pressrooms and to refer all pressmen who desired to work to the offices of the new locals being organized by the International Pressmen's Union, where the men could obtain membership cards in those unions. Employers were instructed not to put any pressman to work until they verified by telephone the union standing of the workman. The Printers' League notified its members that existing wage

standards and working rules would continue in force until "pending negotiations" were completed.

The officials of Typographical Union No. 6, having declared against arbitrating the issues in controversy, were expected by the more radical members in the organization to strike to obtain their demands. Those officers knew that the International Typographical Union would not grant strike sanction to Local No. 6. The position of the international would be that the local should arbitrate the issues in controversy.

When the notices concerning nonemployment of unionists not in good standing with their internationals were posted, the pressmen and feeders quit work. The sympathies of both the officers and the rank and file of Typographical Union No. 6 were with the outlawed pressmen's unions. The men in these organizations had been working together for years. In addition, they had a common purpose to secure the 44-hour week on October 1, 1919.

On the morning of October 1, 139 compositors working for the Technical Press were laid off without notice on the ground that there was no work for them. On the same morning, 3 men were laid off in the Carey Press for the same reason, but the members of the Typographical Union working in the same shop declared that these men were laid off because they had been prominent in advocating the shorter work week on October 1, 1919. Whatever the truth in that charge, the body of about 150 compositors of the Carey Press immediately left work, divided themselves into small committees, and began to notify fellow unionists working in other shops of the action of the Carey Press. They asked their fellow unionists to quit work, not as strikers but as vacationists. By the night of October 1, 1,000 compositors were estimated to have gone on vacations and before the week had ended the number was estimated to be 3,800. On October 6, there were out of work 2,500 members of Pressmen's Union No. 51, 2,500 members of Franklin Union No. 23, about 500 members of Job Press Feeders' Union No. 1, and 3,800 members of Typographical Union No. 6. The officers of Typographical Union No. 6 stated that they would do nothing which would imperil their standing within the International Typographical Union, and no strike order was officially promulgated.

At a meeting of Typographical Union No. 6 on October 5, the executive committee of the local recommended the passage of a

resolution ordering the vacationists back to work. The president of the local told the membership that they had to pass the resolution so that no charge of violating international union laws relating to strikes could be brought against the local organization. The resolution was hooted, but was passed by a large majority. It was plain that neither officers nor members intended to adhere to the resolution. That section of the New York City printing industry which was unionized was deadlocked after October 1, and its operations came to a standstill.

The immediate causes of that deadlock were: the mandates of the international unions that their members were not to work with secessionists; the closing of the shops by the employers to members of the outlawed pressmen's locals; the vacations taken by the compositors. This deadlock prevented any member of the Printers' League from compromising the issues and from making an independent settlement with those locals or with Typographical Union No. 6.

The Allied Printing Trades Council of New York City, in a letter to the American Federation of Labor, condemned the action of these local bodies. The New York City Federation of Labor, however, did not unseat the delegates of these locals, as it was instructed to do by the national federation.

The publishers tried to get work done in New York City, but upon their failure it was agreed between them and the Printers' League that the work temporarily should be done in other places and be brought back to New York City after the conclusion of the controversy. Over 50 magazines ordinarily printed in New York City were printed temporarily in approximately 25 other cities. Some of the publishers used lithography and typewriting, others used the mimeograph.

Toward the end of October the support of the pressmen and the vacationists became a serious problem. The craftsmen out of work stood firm in the belief that the employers, who also were sustaining heavy losses, might give in first. The vacationists were more determined than the pressmen. Pressmen were making application in the new pressroom unions in continually increasing numbers throughout October and the early part of November.

On October 29 the employers' conference committee sent a letter to the president of Typographical Union No. 6 renewing the offer of an immediate advance of \$6 a week and asking that all

other matters be submitted to arbitration. The employers requested an answer not later than November 3 and refused any further conferences. The purpose of this communication was to compel Typographical Union No. 6 either to accept the arbitration offered or to refuse it definitely. Acceptance would have ended the difficulty; refusal would have given the executive council of the International Typographical Union the legal right to intervene. In this connection, a resolution, passed by the convention of the International Typographical Union in 1917, was important. It was as follows: "We recommend that the executive council be instructed to suspend the charter of any union which violates its contract or which refuses fair arbitration in any dispute which may arise under that contract or in the negotiation of any agreement."

On November 2 the members of the executive council of the International Typographical Union attended a meeting of the membership of Typographical Union No. 6 and urged the men to return to work and agree to arbitrating the issue of the date upon which the 44-hour week was to go into effect. This effort was unsuccessful. On November 9, Typographical Union No. 6, by a vote of 2,500 to 17, refused arbitration.

On November 17 the executive council of the International Typographical Union determined that a settlement had to be reached for the good of the International and of Local No. 6. On November 22, three of the general officers had a conference with the officers of Local No. 6. At the conclusion of that conference a mandate was issued to Local No. 6 by the International's executive council. That mandate stated that the existing situation might lead to the employers' withdrawal of union recognition; that the position of Local No. 6, in refusing to arbitrate the issues in controversy, was contrary to the declared policy of the International Union; that the officers of Local No. 6 were to order the vacationists back to work on Monday, November 24, 1919; and that the local officers were to accept arbitration of the dispute. The mandate stated further that in case Local No. 6 failed to comply with these instructions the International would suspend its charter. Article X, Section 2 of the International Typographical Union's constitution read as follows: "Any subordinate union which shall fail to make reports required by law or the executive council, or which shall neglect or refuse to obey any

law or legal mandate of the International Typographical Union, or executive council, may be fined or have its charter suspended by the executive council."

At a meeting of Typographical Union No. 6 on the day following the issuance of the mandate, the membership voted, in ratio of approximately three to one, to accept the instructions of the International Union's executive council. The compositors returned to work the following Monday on the terms proposed by the Printers' League September 19, 1919, namely, a \$6 increase in weekly wages, the 48-hour week, and arbitration of issues in controversy.

Immediately following the termination of the vacation strike, the local pressmen's unions reaffiliated with their international organization, and the industry again was fully in operation. Negotiations were reestablished and frequent conferences were held between the representatives of the local unions and of the Printers' League to complete new wage contracts.

The terms finally agreed upon by the Printers' League and unions other than Pressmen's Union No. 51 included:

1. \$6 increase in weekly wages from October 1, 1919, to January 1, 1920, and an additional \$3 increase thereafter.
2. 48-hour week effective until May 1, 1921. Upon that date, 44-hour week to be introduced without reduction of wages on account of reduction of hours.
3. One and one-half times regular wages to be paid for overtime work less than five hours in length. For work on Sundays and holidays wages double and triple regular rates to be paid.

Printing Pressmen's Union No. 51 wished to arbitrate the issues and presented its case before an arbitrator on March 1 and March 4. The arbitrator's decision, rendered March 19, 1920, awarded Printing Pressmen's Union No. 51 the same terms already secured by agreement by the other unions. The arbitrator recognized the force of the national agreement for the 44-hour week to become effective May 1, 1921, and the difficulties which would arise should one union secure the shorter work week previous to the time when all were to receive it. The award of an increase of a total amount of \$9 on the wage scale was supported by the arbitrator on two grounds: first, that it covered the percentage increase in the cost of living, and second, that this amount had been agreed upon and accepted by all the other unions. The effective

date of the increase was also a point in the case and here too the arbitrator followed the precedent set by the settlements with the other unions. He made the effective date January 1, 1920. The pressmen had received the \$6 increase given to all the men when they went back to work in November or December, thus leaving the date of January 1, 1920, to apply to the \$3 additional increase as it did in the case of all the others.

COMMENTARY: Behind the dramatic shutdown of practically the entire commercial branch of the printing industry of New York City in October and November of 1919 was a complex industrial relations background of particular interest and significance both to industrial leaders and to students of this subject.

It was not a strike or a lockout in the generally understood meaning of these terms. It was a combined effort of the employers and the heads of the various international printing trades unions to stop an accumulative direct-action movement that had its origin in events which occurred in 1917. Direct action was expressed on the part of the local unions in uncontrolled guerrilla strikes against the employers and in secession of some of the local unions from their international organizations.

The skyrocketing of the price curve in 1917 affected vitally the mutuality of interests in contracts of every kind, particularly those on a long-term basis which were entered into prior to the war.

The New York employers and unions were in 1917 working under prewar three-year contracts effective from October 1, 1916, to October 1, 1919. The unions for six months from April to October, 1917, endeavored through the constitutional processes of conferences, conciliation, and arbitration, to secure a readjustment of the contracts to meet the unforeseen conditions which had arisen, but without success. The continued increases in the cost of living, with no adjustment of the contracts in sight through conciliation or arbitration, left the union leaders no alternative but to try some other method. The lowest-paid semiskilled group in the industry, feeling the pinch most, broke bounds in a skirmish action strike in October, 1917, apparently with the object in view of securing on a short labor market a test of strength with the employers. In three days' time by direct action the unions secured a wage increase of \$4 a week. Direct action, as a method, had worked. Constitutional methods, from the union point of view, had failed. The inevitable result was that the unions abandoned their policy of conciliation and arbitration, and for two years, up to October, 1919, used with success the strike, or strike threats, to force concessions. Disorder in the industry, bordering on terrorism, resulted. The international

union heads not only found themselves faced with open revolt against their disciplinary control, but, in some cases, with the secession of their locals. Restoration of order in the industry through the reestablishment of constitutional processes became an imperative necessity, both from the standpoint of the employers and of the international unions. This issue transcended all others. From the general trend of the situation it had become clear that neither the employers alone nor the international printing trades unions alone could restore order. The international unions and the New York City employers decided, therefore, to act jointly.

The existing contracts expired on September 30, 1919, and on that date, through joint agreement with the international unions, the New York City employers posted a notice in their plants that on and after October 1 no one would be employed who was not a member of a local union in good standing with an international union affiliated with the American Federation of Labor. This action, approved by the five international unions, in reality meant a lockout of the secessionist pressroom unions. To avoid an open break with their international union, but desiring to support the local union which had led the direct action movement from which they had all benefited, the Typographical Union No. 6 indirectly went on strike by "individually-collectively taking a vacation." The local bindery unions, having arbitration agreements in effect extending beyond the wage agreements, joined in the support of the combined action of the international unions and the employers.

After an eight weeks' shutdown, resulting in loss of millions of dollars to the industry, constitutional methods and control were reestablished and order restored. Contracts including flexible readjustment provisions to meet the unusual postwar conditions were entered into between the various unions and the employers.

In the clear vision of hindsight the most significant lessons to be learned from this industrial conflict involving the entire commercial printing industry in the largest city in the country, seem to me to be:

1. That the failure in 1917 to recognize the need for flexible adjustments of the provisions of the long-time contracts, in order that the provisions should continue to be mutually advantageous when conditions not foreseen by either party to the contract arose, was not only a fundamentally unwise policy but an economic invitation to direct action.
2. That insistence upon a strictly legal interpretation of the contract did not meet the real issues of the situation.
3. That the failure to preserve the integrity of constitutional processes—the failure to arbitrate—left no alternative, under the abnormal price conditions, but direct action.
4. That it is inevitable that direct action will be used if orderly

and constitutional channels—conference, conciliation, and arbitration—are not kept open.

5. That direct action knows no discretion or limit after it is once started. It can only be stopped by a strong opposing force, which in this case entailed conflict and losses.

Had the policy of flexible adjustments been recognized in 1917, the costly conflict of 1919 would not have occurred. To invite direct action by legalistic interpretation of the existing contract on a short labor market was like setting a small prairie fire in a high wind and then trying to put out the conflagration. The events leading up to the break indicate that both parties were involved in momentary issues to such an extent that neither had sufficient perspective to visualize the real issues at stake.

This comment is made after the events had occurred. The conclusion is clear, however, that had a more flexible policy been followed, constitutional processes would have been preserved and the conflict, which cost many millions of dollars, bitter feeling, and suffering, would have been avoided.

September, 1926

F. A. S.

ROCHESTER MEN'S CLOTHING INDUSTRY—ARBITRATOR

WAGES—*Standardization in District of Localized Industry.* In 1918, arbitrators appointed to settle disputes between the men's clothing manufacturers of Rochester, New York, and a newly organized local division of a labor union, announced a general wage increase as part of a decision to standardize wages throughout the men's clothing plants in the district.

UNION RELATIONS—*Agreement Entered into by Employers' Association to Cooperate with Labor Union.* In Rochester, New York, an association of local clothing manufacturers decided in 1919 and again in 1920 to subscribe to an agreement with the Amalgamated Clothing Workers of America, the agreement including, among others, provisions for collective dealing with the union, arbitration of disputes, administration of the agreement by an adjustment board, prohibition of strikes, lockouts, and stoppages, and settlement of wages and terms of employment.

ARBITRATION OF LABOR DISPUTES—*Provided for in Agreement between Employers and Union in Localized Industrial Center.* In connection with an agreement entered into jointly by the manufacturers of men's clothing in Rochester, New York, and by the Amalgamated Clothing Workers of America, it was provided that, in order to prevent strikes, lockouts, and stoppages, labor disputes should be settled by a labor adjustment board comprised of employer and union representatives as well as an impartial chairman, the expenses to be borne equally by both parties to the agreement.

UNION RELATIONS—*Arbitration Ruling on Company's Retention of Employee Expelled from Union.* During a period of business depression, in 1921, the arbitrator of labor disputes in the men's clothing industry at Rochester, New York, decided that an employee who had been expelled from a union because of nonpayment of dues should not be retained by an employer who was a party to an agreement whereby both employers and union were to cooperate in establishing satisfactory conditions of work and whereby both parties were bound to refrain from strikes, lockouts, and stoppages.

(1921)

In the spring of 1921 the local representatives of the Amalgamated Clothing Workers' Union asked the arbitrator in the Rochester men's clothing industry to require an employer to discharge an employee whom the union had dropped from its rolls for nonpayment of dues. The act of expulsion had not caused the delinquent workman to pay his dues to the union.

On April 1, 1919, this employer, together with practically all

the leading men's clothing manufacturers of Rochester, New York, had entered into an agreement with the Amalgamated Clothing Workers' Union. The agreement established terms of employment in the Rochester clothing factories operated by the employers. In 1920 that agreement, with some minor changes, was renewed for two years. The agreement established arbitral machinery for the settlement of disputes. It did not require or establish either the preferential or the closed union shop.

In the main, the men's clothing industry in Rochester was carried on in large plants. The industry there had become known for the quality of its merchandise. Some of the Rochester clothing companies sold their products under their own brands and through exclusive agents. In 1890 a number of the clothing companies had organized an association, known as the Rochester Clothiers' Exchange, as a means for establishing the prestige of Rochester as a men's clothing manufacturing center, and also as a means for acting upon labor questions.

With the exception of the cloth cutters, the men's clothing workers in Rochester did not form a successful union until 1918. When the industry originally was started in Rochester, the work force consisted largely of Germans, but subsequently Italian and Jewish immigrants outnumbered the German workers.

Prior to 1914 the one labor organization in the men's ready-made clothing industry was a national union known as the United Garment Workers of America. In 1913 the United Garment Workers alleged that Rochester clothing manufacturers were doing work for New York companies. The latter were then fighting a strike called by the United Garment Workers. Union organizers arrived in Rochester to enlist the support of workers there and to persuade them to cease working upon garments being made for manufacturers in New York City. After a brief and intensive organizing campaign a test strike was called at one plant, and the organizers found the workers' sentiment to be in favor of aggressive action. Presently, they called a strike in all shops in Rochester and demanded various concessions, among them recognition of the union. This strike lasted two months. Acts of violence occurred during the strike. Its settlement was negotiated by the union organizers and the employers, but the terms of the settlement did not recognize the union organization and it disintegrated shortly thereafter.

In 1914 the Amalgamated Clothing Workers' Union was formed by a group which seceded from the United Garment Workers of America. The Amalgamated Clothing Workers' Union since that time has been made up largely of Jews, Italians, and members of other South and East European immigrant races. The Amalgamated Clothing Workers' Union made rapid progress. Some of its members, from experiences in their native countries and knowledge of philosophies in vogue there, endorsed theories of solidarity and direct action which were in sharp contrast to doctrines of individualism and deliberative progress. Its leaders, on the other hand, and many other members were far-sighted and constructive. Although they endorsed militant unionism, they endeavored to adhere to the agreements which they signed.

In 1918 the Amalgamated Clothing Workers' Union determined to organize the Rochester clothing workers and sent a special organizer to that city. Two months after the organizer had begun his work in Rochester, two strikes for increases in wages occurred in separate Rochester plants. The strikes threatened to involve the entire Rochester market, which then was working to full capacity on army uniforms. The national president of the Amalgamated Clothing Workers' Union came to Rochester two days after the walkouts occurred. In negotiations with the employing companies, he agreed that the strikes should cease and that the matters in dispute should be arbitrated by disinterested parties to be appointed by the United States Army quartermasters' department, with which the companies had contracts for the production of the army uniforms.

The arbitrators appointed for this purpose rendered a decision of serious moment. Their decision covered all firms in the Rochester clothing industry that were engaged in contracts with the War Department, and not merely the two firms involved in the strikes. In this decision, made in order to standardize wage rates in the Rochester market, the arbitrators awarded a general wage increase of approximately 15%; they announced that overtime work should be paid for at one and one-half times regular rates; and they established a minimum wage of \$12 a week. Of no less consequence than the general applicability of the award was the statement that "the arbitrators will continue to make further adjustments in wages in the direction of standardization."

To carry out this intention the arbitrators chose a man to represent them as a resident arbiter. He was to continue the work of standardizing wages in the Rochester clothing market.

After approximately eight months of experience with the arbitral arrangement, the president of the Rochester Clothiers' Exchange stated in his annual report that the arrangement "emphasized the necessity of more adequate machinery for the administration of any agreement between the manufacturers and their employees, and the fact that it was impossible to negotiate effectively with the employees as an unorganized body." He went on to say, "If only as a matter of convenience, it is easier to deal with 1 man than with 10,000, and when the added weight of the discipline which a well-organized union wields among its members is thrown into the balance, the recognition of an employees' organization becomes imperative."

At the outset of 1919 the New York branch of the Amalgamated Clothing Workers' Union demanded a reduction in working hours per week to 44, and the organization stated that it purposed to establish that standard in every center of men's clothing manufacture. The Rochester manufacturers, anticipating the success of the union in this demand, announced that they would establish a 44-hour week on May 1. The workers regarded this announcement as a direct result of the strength of their organization, and they decided to use that strength to obtain the concession at an earlier date. The mass meeting at which the action was decided upon evidenced great enthusiasm, determination of purpose, and a sense of organized power. The Rochester manufacturers noted with some apprehension the spirit of unrest and new-found power among the unionists, and requested the president of the Amalgamated Clothing Workers' Union to come to Rochester for a series of conferences. The result of those conferences was the labor agreement of 1919. That agreement was renewed a year later with slight changes. The text of the 1920 agreement follows:

I. This agreement made between the members of the Clothiers' Exchange of Rochester, New York, as individuals acting through the said exchange as their representative, and the Amalgamated Clothing Workers of America shall become effective after ratification by the members of both parties, and the fact of such ratification shall be indicated by an exchange of notes between the president of the exchange

and the president of the Amalgamated. The agreement shall continue in force until May 31, 1922.

II. The right of the workers in the industry to bargain collectively is agreed to and the Amalgamated Clothing Workers of America is recognized as the agency for collective dealing with the employees. The employees in every shop shall elect representatives to take up their cases with the management in the first instance. If the shop representative cannot agree with the management, then the union representative shall be called in. The employers shall appoint duly authorized representatives of the management, who shall be responsible for carrying into effect the terms and conditions of the agreement in their shops.

III. The power to hire shall remain with the employer, but in cases where discrimination on account of union membership is charged, the impartial chairman [Section VIII of agreement] shall have the right of review; and if facts are brought before the impartial chairman that appear to indicate that the labor policy of any house is calculated to undermine the union, he shall have the power to review that policy.

IV. The power to discharge and suspend employees remains with the employer, but it is agreed that this power will be exercised with justice and due regard for the rights of the workers; and if any worker feels that he has been unjustly treated in the exercise of this power, he may appeal to the labor adjustment board hereinafter mentioned, which shall have the power of review in all such cases.

V. The right of the employer to make changes in shop management and methods of manufacturing is recognized; such changes to be made without loss to the employees directly affected.

VI. There shall be no strikes, lockouts, or stoppages in any shop covered by this agreement.

VII. The principle of equal division of work is recognized, and during slack seasons work shall be divided as far as practicable among all the workers in the shop.

VIII. The administration of this agreement is vested in a labor adjustment board consisting of representatives of the employers and of representatives of the workmen, together with an impartial chairman selected by both parties. The representatives of the employers and the representatives of the workmen upon this board shall have an equal vote, regardless of the number of representatives of either side, and in case of a tie vote, the impartial chairman shall cast the decisive vote. All disputes or differences over questions arising under this agreement which the parties hereto are unable to adjust between themselves shall be referred to the labor adjustment board for adjustment or arbitration. This board shall have full and final jurisdiction over all such questions and its decisions shall be conclusive, except as may be otherwise provided by agreement of the parties hereto. Except where the board itself shall otherwise determine, the chairman of the board shall be authorized to take original jurisdiction of all cases and controversies arising

under the agreement, and to adjust or decide them in accordance with rules of practice and procedure established by the board. Decisions of the chairman shall be binding on both parties. . . .

IX. The board shall have authority to make such rules, regulations, and supplementary arrangements not inconsistent with this agreement as may be necessary to carry into effect the principles of this agreement, or to apply these principles to new questions whenever they arise. It may also define, describe, and limit the penalties to be imposed for violation of any of the provisions of this agreement.

X. The expenses of the labor adjustment board shall be borne equally by both parties to this agreement.

XI. Upon the petition of either party the labor adjustment board shall have the power to determine whether important changes have taken place in the clothing industry, or in industrial conditions generally, which warrant changes in general wage levels or in hours of work; and if it is decided that such changes are warranted, negotiations shall begin between the parties hereto. In the event of a disagreement, the question shall be submitted to arbitration.

XII. Upon the petition of either party, any adjustment of wages of individuals or sections that may be necessary in order to remove serious and unjust inequalities in pay may be made at any time during the life of this agreement, provided that no request for such adjustment shall be heard by the impartial chairman until he has been authorized to consider it by the labor adjustment board. A decision by the impartial chairman in such a matter shall take effect and operate during and after the first full week after the date of the decision unless the parties otherwise agree.

XIII. A minimum wage for all beginners in the industry and a probationary period during which the employer shall be free to discharge such help without question shall be fixed by the labor adjustment board.

XIV. The regular hours of work shall be 44 per week, to be worked 8 hours on the 5 days preceding Saturday and 4 hours on Saturday.

XV. For work done in excess of the regular number of hours per day, overtime shall be paid at the rate of time and one-half.

XVI. The labor adjustment board is authorized to exercise sanitary control over shops covered by this agreement, and it shall have authority to make regulations designed to protect the health and safety of the workers in the shops.

XVII. It is agreed that homework shall be abolished and the labor adjustment board shall investigate and work out procedure to this end.

Early in 1921 the issue of this case arose. The union, through the impartial chairman of the Labor Adjustment Board, asked one firm to suspend a man from employment until he met his financial obligations to the labor organization. The union pre-

viously had suspended the man from its membership. The union also had requested the employer to suspend the worker from employment, but the employer had refused to do so. The employer said that he had hired the worker without regard to union affiliations, and that the agreement did not provide for the closed shop nor did it require him to discharge an employee at the request of the union.

This case was argued during a period of business depression. The incident occurred in the middle of the then current union agreement. An election of local union officials was taking place. Moreover, the union was trying to collect a special assessment for the benefit of its New York members on strike. The New York strike was the result of the initiative of the employers there who had demanded more favorable terms from the union in December, 1920. The union said that the New York employers wished to destroy it, and the union determined to fight the employers' demands with all the power at its command.

The rules of the Amalgamated Clothing Workers' Union regarding withdrawal and reinstatement were substantially as follows:

Members employed must pay dues monthly, and no member should be permitted to work on the first day of the month unless dues are paid for the previous month. Members three months in arrears shall stand suspended and members six months in arrears shall be dropped from the roll.

Any member dropped from the roll can be reinstated only by paying the regular initiation fee, together with all the money due the organization at the time his name was dropped from the roll.

Any member desiring to leave the country or quit the trade shall be allowed to withdraw from membership by paying all debts to date of withdrawal, surrender of his membership book or card, and written notice of his withdrawal to the local union. The surrendered book or card shall be sent to the general secretary.

No person who has been expelled, suspended, or stricken from the roll or rejected by any local union shall be eligible for membership until all matters are settled to the satisfaction of the local union having the grievance against the person.

A year earlier, about the time the renewal of the 1919 agreement was under discussion by the union and the employer groups, a similar request had been made by the union. In that case, referred to as Docket No. 149, the union had imposed no direct disciplinary measure, but had asked the impartial chairman to

require the employer to discharge the delinquent. This the impartial chairman had refused to do.

In the present case, dealing with the union's request for employer assistance in the collection of dues, the impartial chairman ruled (May 26, 1921):

It appears that the man in question joined the union shortly before he left the employ of one of the exchange houses¹ to engage in business for himself. After about a year and a half he returned to work in a contract shop² and the union then asked him to pay back dues which it claimed he owed. He refused to do this, and he says he quit the job of his own accord while the union representatives contend that he was discharged for refusing to pay dues. Later he worked at another house for about five days and was discharged when he again refused to pay his back dues.

Section IX of the agreement provides that the labor adjustment board may define, describe, and limit the penalties imposed for violation of any of the provisions of the agreement. It is understood between the parties at the time the agreement was signed that this provision should cover the attempts of individual members to evade the responsibilities which the acceptance of the agreement imposed on every individual covered by the agreement. The union is required by Section X of the agreement to pay half of the expenses incident to its administration and these payments must be made out of dues paid to the membership covered by the agreement. The dues are the taxes required to maintain the governmental agencies for the industry set up by the agreement and any individual in whose behalf the agreement was signed who avoids the payment of the tax is violating an obligation assumed by him when the membership of the union voted to accept the agreement.

In case No. 149 it was held "That the union must have power to discipline its members. If it cannot do that, then it cannot force them to live up to agreements made by the union with the employers. However, in meting out discipline to its members the union must do it according to the laws of its own organization. It can fine them, reprimand them, suspend or expel them, and impose any other penalty authorized by the unions' constitution and by-laws which they agreed to obey. But to make suspension by the employer a penalty imposed by the union, is going beyond the union's power of discipline and asking the employer to act in the union's place."

In that case the union had not suspended or expelled the member, but instead asked the employer to discharge the man as a measure provided in its own constitution and by-laws for disciplining its members. In the present case, however, all efforts have been made by the

¹ "Exchange house": Firm which was a member of the employers' association and a party to this labor agreement.

² "Contract shop": A shop of a manufacturing subcontractor in the clothing industry.

union to mete out discipline according to the laws of the union, and the member had been suspended.

The question now arises: If the union attempts to discipline a member for failing to meet obligations incident to the agreement and he refuses to accept the discipline, so that the union is compelled to suspend or expel him, can he continue to work in a shop covered by the agreement, or does the agreement require him to accept the discipline of his organization?

If the union had not bound itself by the agreement to engage in no stoppages, its members would be free to refuse to work with any one who was suspended or expelled from the organization according to its legitimate rules. This would be the next step taken by the organization under its rules for disciplining members after one of them had been suspended or expelled. At this point, however, the agreement interferes and takes away the disciplinary power that the organization had in refusing to work with a member who has been expelled. The agreement prohibits the members from stopping work to enforce its discipline.

Since the agreement ties the hands of the union in this respect it must afford the organization a legal method of enforcing its just disciplinary measures which will be as effective as the refusal of its members to work with an expelled member. The adjustment machinery must provide a place in court where the union can take up a grievance of this kind instead of engaging in a stoppage. Unless such legal method of enforcing disciplinary rules is provided, the agreement would have the effect of weakening the union, members could defy the organization with impunity, and the attempts of the labor adjustment board to hold the union responsible for compelling its members to live up to the provisions of the agreement and to the decisions of the impartial chairman would be futile.

The rules adopted by the labor adjustment board for handling all cases arising under the agreement must therefore be held to apply to cases of this character also. Whether a member is suspended by the union for nonpayment of dues or for violation of the agreement or a decision, the procedure should be the same. The union may file a complaint with the employer that the member has been so suspended, and if the suspension was regular and not in violation of the agreement, it is the duty of the labor manager to suspend the member from work until he has obeyed the proper disciplinary measures imposed on him. If the labor manager has reason to feel that the disciplinary action taken by the union has not been regular in accordance with its own written rules or has been in violation of the agreement, then the labor manager may refuse to suspend the worker until the impartial chairman has reviewed the disciplinary action taken and finds it to be legal according to the union rules and in conformity with the agreement existing between the employers and the union.

In the present case, the suspended member has failed to appear before the union membership committee that handles such cases and has refused to agree to pay back dues. Under the circumstances the

union could do nothing else but suspend him. This action of the union was wholly legal and proper, and under the circumstances, it must be held that the employer must suspend the member from work until he arranges some settlement of his arrears in dues with his organization. The union, on the other hand, ought to be lenient about insisting on full payment of back dues because the man was out of the industry for a considerable time and it is apparent that he did not understand the union rules about getting a withdrawal card. A proper regard for the rules of his organization on the part of the man and a proper allowance for the ignorance of the man on the part of the union is all that is needed to settle this case.

COMMENTARY: In view of the small experience with union management bargaining and cooperation in the Rochester men's clothing industry in 1920, and in view further of the rapidly changing technique of this industry at the time, this agreement wisely was drawn in general terms. The parties to it doubtless anticipated that it would have to be applied to unforeseen issues.

To one who interprets the agreement strictly the issue was whether, after the union had been unsuccessful in disciplining a member for delinquency in the payment of union dues, Section III of the agreement required the employer of the member to discharge him on the grounds that his continued employment would tend to undermine the union. In view of the guarded statement that the impartial chairman was to have "the power to review" an employer's policy intended to undermine the union, it is questionable whether the employers would have assented to this proposition when Section III was first written.

The question in this case is near to the closed-shop issue. A line of distinction can be drawn between them, however. Here the unionist's right to lapse his dues and still retain his job was under question. The closed-shop issue relates to the nonunionist's right to obtain employment. The closed-shop issue is broader and more inclusive than the issue in this case. A closed-shop decision here would have required a worker's membership in the union as a prerequisite to employment. The decision actually made applied only to unionists.

This case arose in a period of depression. The local unions were on the defensive. No militant efforts were on foot which would consolidate and retain their members. Their overhead expenses were continuing. They were helping to support a strike in the important New York market. These circumstances make it probable that some members, because of lack of interest or shortsighted attitude, would cease paying dues, provided no obstacles were put in the path of so doing. A tendency of that kind once under way accumulates.

In 1919, when this labor relationship was entered into, the employers

obtained many advantages. The newly formed local unions itched to exercise their power. If no agreement had been signed, strikes would have disrupted the direct-to-retailer distribution of these manufacturers' branded products. Assurance against stoppages was valuable to the manufacturers, moreover, because of the industry's seasonal nature. The relatively short earning periods were not to be further curtailed by labor difficulties.

Even in 1921 the agreement had advantages from the employers' standpoint. The strike in New York was deflecting business to Rochester. The continuance there of peaceful and reasonable adjustments of differences strengthened cooperative spirit and had a wholesome effect upon productivity. These points were especially important in Rochester, where high-grade clothing was and is (1927) made. The doctrine that the employer or his agents exploited the employee personally, a doctrine held by some of the workers, was not being substantiated by their experience under this labor relationship.

In 1919 the union, because of its strength, could concede the open-shop formula. When conditions changed in 1921 the union leaders urged the modification of open-shop conditions. The leaders then wished to conserve union strength.

The case reveals the agreement as a functioning instrument in a dynamic situation. The impartial chairman wisely refused to interpret the agreement's terms literally. His decision was intended chiefly to conserve the relationship established by the agreement. That aim was thought to justify the ruling, which gave the union a status which probably was not in the minds of all the signatories when the agreement was drafted.

Although reference was made in the decision to discipline, the issue of this case did not relate directly to the enforcement of shop rules or of the impartial chairman's decisions. Only in so far as a strong union was to aid in dealing with managerial problems was there common interest of employers and union in the question presented by this case.

This decision was a warning to any employer, who, in spite of the final part of Article III, thought of inducing unionists to lapse their dues.

No one will believe that this decision of itself would uphold the authority of the union or of the impartial chairman in the event that many union members became dissatisfied with their union leaders or with the labor relationship established by the agreement. The decision tended to make unnecessary the reiteration of militant issues by the union leaders in order to strengthen adherence to the organization.

This decision did not oblige an employer to discipline an employee upon a union order whose validity the employer questioned. The union's disciplinary measure had to be according to union rules. The decision could not be used by union officials to stifle opposition in union ranks nor to coerce nonunionists to join the organization.

Several inferences may be drawn from the facts of this case. First, employers who have imposed administrative obligations upon a labor union should conserve discipline in the union, provided good faith is being shown on both sides. Second, a labor agreement drawn in general terms should provide for continuous arbitration to interpret and apply its general terms to specific situations. Third, an employer cannot fight against and also cooperate with a labor organization. If he decides to cooperate with the union, he must do so wholeheartedly. Fourth, a change from one of these policies to the other is difficult. Operating practices developed under one policy will be followed by executives and employees for a considerable time after that policy has been supplanted by the other policy.

January, 1927

J. W. R.

ENDICOTT JOHNSON CORPORATION

MANUFACTURER—SHOES

MEDICAL SERVICE—*Continued Provision for Employees during Period of Business Depression.* Because an overwhelming number of the wage-earning members of a community worked for a company that had given them and their families free medical service for a number of years, that company's executives decided that this service should not be curtailed as a means of reducing costs in a period of severe competition.

(1924)

In 1917 the Endicott Johnson Corporation began to give medical service to its employees. As time went on, this program was expanded. In 1924 the company met with severe competition and the executives reviewed various ways of reducing expenses. Among other methods, curtailment of the company's medical and welfare service was suggested.

The company operated tanneries and shoe factories in Endicott and in Johnson City, New York, just outside of Binghamton. The chief executives lived in those cities. Approximately 17,000 people worked in the company's factories, which were located at various points in the district. Those employees made up by far the larger part of the working population in the two towns. American-born people predominated in the shoe factories, but much of the work in the tanneries was performed by foreign-born labor.

In preceding years the company had undertaken an extensive program for benefiting its employees. It had built houses and also had established community markets, stores, a theater, a mutual benefit association, a library, and recreational facilities. The president of the corporation was vitally interested in labor relations.

A policy of the company was to pay its shoe workers during any one year wages as high as those received by workers during the same year in any other shoe center where staple rather than fancy lines were made. The company had in effect a surplus-sharing plan which had yielded approximately \$200 to each employee yearly, from 1919 to 1923, inclusive. The average wages, together with this surplus share, had yielded an average annual

EXHIBIT 1

AVERAGE WEEKLY WAGES OF EMPLOYEES OF ENDICOTT
JOHNSON CORPORATION

Year	Average Weekly Wage	Year	Average Weekly Wage
1915	\$13.50	1920	\$28.00
1916	14.50	1921	24.50
1917	17.00	1922	24.00
1918	20.50	1923	24.25
1919	24.75		

income to workers in the company's plants of from \$1,600 to \$1,800. Exhibit 1 shows the average weekly wages for the period 1915 to 1923, and Exhibit 2 shows the average total weekly remuneration, including the surplus share, for 1919 to 1922.

Before the World War the company had employed a full-time physician-surgeon to render first-aid treatment and subsequent care to workers who sustained industrial accidents. The service rendered seemed satisfactory to the workers, and they began to consult the company physician for ailments not of industrial origin. The company physician advised and treated such cases, but after a time he became burdened with work. Employees began to request medical aid for members of their families and treatment of nonindustrial accidents. The company then had to consider whether it would afford medical service of a relatively complete sort or whether its medical program would consist of attention to injuries received in the plant, physical examinations for employment, and supervision of accident compensation cases.

In 1919 the company was unusually prosperous, and it decided to engage several additional full-time physicians in response to the requests of its employees. Presently the number of treatments

EXHIBIT 2

AVERAGE SURPLUS PAID EMPLOYEES OF ENDICOTT JOHNSON CORPORATION
AND AVERAGE TOTAL WEEKLY REMUNERATION

Year	Bonus for Year	Bonus per Week	Total Return on Weekly Basis
1919	\$237.00	\$4.56	\$29.31
1920	45.00	.87	28.87
1921	200.00	4.00	28.50
1922	245.00	4.71	28.71

given members of employees' families mounted, and the company had to lay down a rule regarding free treatment of members of employees' families. About the same time requests for surgical attention, such as removal of tonsils and adenoids, were increasing, as were requests for obstetrical service and care of young children. These demands, if granted, would make necessary the fitting up of hospitals, the provision of ambulance facilities and of additional medical centers for consultation, the hiring on full-time or part-time basis of specialists, and the incurring of nursing and clerical expense. At the time, the city of Binghamton had a hospital of high standards, but this institution was several miles from the industrial population connected with the Endicott Johnson Corporation plants.

The company, primarily on humanitarian grounds, decided that it would not only continue to afford medical service to its workers, but also to members of employees' families, provided the applicants for the service were not employed elsewhere. This decision necessitated further increases in the medical staff. In 1923 the company's medical staff consisted of 27 full-time physicians, including 1 general surgeon, 1 refractionist, 2 nose and throat specialists, 1 specialist on children's diseases, 3 full-time dentists, 1 masseur, and 1 X-ray technician. In addition, there were employed 50 trained nurses, and the necessary clerical and technical attendants.

By that time the company had established three medical centers, located at points convenient to the industrial population. At each center there was a general office for diagnosis and treatment, and hospital beds for the care of maternity cases. At each center there were on duty one or more of the staff doctors from 8 a.m. to 7 p.m., together with a trained nurse and clerical assistants. Prescriptions were filled at two prescription departments without cost. No patent medicines were sold in those departments. The medical staff endeavored to dissuade employees from making self-diagnoses and from the use of patent medicines without a physician's advice. Once a week a special period in the afternoon was set aside for a baby clinic, to which the wives of employees could bring their babies to be examined, weighed, and measured. A doctor and nurses in attendance gave advice and instruction in the proper care and feeding of children. All three centers constantly received calls to send doctors to employees'

homes. The territory served by each office was apportioned, and the calls were distributed by a central dispatching office. Some one on the staff in each center was on duty during the entire 24 hours, although night calls were discouraged unless cases were urgent. The medical staff was furnished with motor transportation. The nurses assisted at the centers, assisted doctors in the homes, and did general visiting and follow-up work. They, too, were provided with motor transportation.

The maternity service was the only hospital service directly managed by the company, with the exception of a small hospital especially equipped for tonsillectomies and other nose and throat work, and an isolation hospital held in readiness for the care of anthrax if any cases of this disease developed. All other hospital service for employees or their families was obtained by the company from local public or private hospitals and was paid for by the company at regular rates.

As the service grew, the company found that the time of its medical staff was taken up to an excessive degree with administrative matters. Questions of expense, equipment purchases, and other business phases of the medical work occasioned the staff undue concern. Accordingly, a director was employed who was placed in charge of the financial and business phases of this service. He also was given charge of the hiring of clerical and technical attendants; he had a voice in the hiring of new physicians and in determining the organization of the department and its relations to the production department and auxiliary staff departments.

The medical and nursing staff examined applicants for employment, reexamined newly hired employees after 6 months' service, investigated sickness for the company's mutual sick relief association, which paid benefits of \$12 a week for a period of 13 weeks and which had 12,000 members, treated industrial accidents, and supervised compensation cases. The company carried its own accident compensation insurance under the regulations of the New York State Workmen's Compensation Act; therefore, it was interested in reducing the number of accidents and in the prompt recovery of injured employees.

In 1922 the staff doctors made 75,000 visits to employees' homes. The nurses made 15,000 visits to employees' homes. This was an average of approximately 5 physician's visits and 1

EXHIBIT 3

MEDICAL REPORTS OF ENDICOTT JOHNSON CORPORATION
(1924-1925)

	1924	1925
Medical		
Office calls.....	135,787	122,540
House calls.....	75,659	73,270
Dressings.....	49,939	42,036
First aid.....	4,594	5,129
Surgical		
Major operations.....	445	505
Minor operations.....	124	304
Assisted operations.....	168	159
Ear, Nose, and Throat		
Operations.....	1,916	1,802
Treatments.....	7,826	15,169
House calls by throat specialist.....	637	354
Ocular		
Eye treatments.....	7,826	6,552
Refractions.....	2,503	2,730
Eye operations.....	71	103
Dental		
Fillings.....	7,702	8,415
Extractions.....	9,699	13,310
Cleanings.....	5,490	6,576
Treatments.....	9,753	10,828
Miscellaneous		
Confinement cases.....	1,075	1,143
Massage treatments.....	5,053	6,435
Vaccinations.....	30,974	63
Consultations.....	1,012	987
Special Treatments.....	5,573	6,425
Fractures.....	144	208
Cast applied.....	34	14
X-rays taken.....	2,852	5,029
Alpine light treatments.....	.....	7,559
Cystoscopies.....	.....	210
Laboratory tests.....	13,620	16,447
Consultations with psychologist.....	.....	1,665
Nursing		
Visiting nurse calls.....	24,083	21,535
Home calls by school nurse.....	2,470	2,604
Number days home nursing service.....	.....	4,603
Hospital		
Number days hospital service.....	21,254	21,298
Company's estimate of cost of above service if purchased outside.....	\$1,293,379	\$1,167,655
Actual cost.....	410,684	459,879
Sums paid to hospitals and sanitariums for treatment of company's workers.....	191,647	248,014
Total cost of medical service.....	602,331	707,893
Pairs of shoes made during year (dozens).....	2,375,146	2,666,599
Cost of medical service per pair of shoes.....	\$0.021	\$0.022

nurse's visit to each worker's home. The company's ambulances made approximately 5,000 calls during 1922. Special medical ability or surgical skill not represented on the company's staff as then organized was obtained by the company. In 1922, \$11,000 was expended for fees on this account.

The cost of medical service in 1922 was approximately as follows:

Salaries of doctors, nurses, and attendants	\$200,000
Drugs and supplies	55,000
Upkeep of buildings and automobiles	25,000
Outside doctors, nurses, hospitals, and sanitariums	<u>120,000</u>
	\$400,000

The cost of medical service in 1922 was approximately as for each worker employed.

The executives of the company in 1924 decided not to curtail the company's medical and relief program. Reasons for this were that the costs of the service, considering its benefits, were not excessive; the part-time employment existing at the time and the consequent low earnings probably would have caused many families not to obtain adequate medical service if they had to pay for that service; the company did not wish its workers to return to the use of patent medicines without physician's orders; it believed that any hardship following curtailment of service would embitter the employees and cause ill will. The fact that an overwhelming proportion of the wage-earning residents in the community worked for the company caused its executives to feel a responsibility for community conditions that under other circumstances they would not have assumed. The medical report of the company for 1924 and 1925 is given in Exhibit 3.

Although the period of strenuous competition caused no actual curtailment of the medical service, the company made no extensions to the service and curtailed the relief expenditures which it had been making. Previously, it had made up the difference between the accident compensation payments legally required and the injured employees' average wages. These payments were curtailed, and the amount of sick benefits paid by the company was reduced, in the period from 1924 to 1926, approximately 10%. Special relief payments also were reduced.

COMMENTARY: Since this company employed most of the working

population in the towns in which its plants were located, it could not avoid certain community responsibilities. In large degree, the economic welfare of those towns was dependent upon it. Solely on the score of business foresight it was worth while for this company to prevent any unfavorable development in community conditions from gaining momentum about its plants.

A complete medical service is not common in industrial companies. Usually their medical service is confined to the examination of applicants for employment; treatment of accidents in the plant; supervision of accident compensation cases; and home visiting to make sure that the employee is receiving proper medical attention from private practitioners and will return to work promptly.

Companies located in large cities usually employ workers who reside at a considerable distance from the places of employment. Such companies probably would find a complete medical service to be uneconomical and unnecessary.

The immediate economy of a complete medical service lies in the fact that the medical staff is fully occupied with work, whereas the typical private practitioner has to derive his income from a smaller number of patients and, therefore, he must charge correspondingly heavier fees. In a completely coordinated and completely centralized medical service, moreover, it is possible to route physicians and to assign to difficult cases doctors who have specialized upon the diseases in question. From the data in the case, it appears that each doctor on the company's staff made approximately 8 house calls every day in the year 1922. The data for 1924 and 1925 indicate that each physician daily attended to approximately 20 house and office calls.

The head of this medical service was a layman to whom any employee could complain if he wished regarding the personnel or the methods of the company's medical staff.

The company built up its service for humanitarian reasons. The program also was defended on economic grounds.

Perhaps the chief economic argument in favor of this type of service is that the service causes many people to apply measures to prevent sickness or to arrest it in its early stages. These steps result in improved health and better attendance at work. The results are of advantage to both employer and employee. They can be advanced by the employer in defense of a company medical service. Employees use such a medical service promptly, whereas they would hesitate to call in private medical aid because of the expense involved and the small reserves at their disposal.

The argument often is advanced that the costs of a company medical service are withdrawn from wages. Even if the contention be granted,

that system should be less expensive, the service rendered being the same, than the employment of private practitioners. This company, by extending its medical service to the members of employees' families, reduced illness in the home and promoted the peace of mind of its workers.

The company presented figures to contrast the costs of this medical service and the costs of similar service rendered by private practitioners. It also should have made public the changes in the record of time lost on account of illness and on account of industrial and nonindustrial accidents.

It is recognized that a complete medical service furnished by an employer is easily criticized. The program is open to the charge of paternalism. Usually it would be opposed by the local medical association. Employees sometimes have objected to company medical service because some proportion of the cost of the service has been borne by all employees whether they needed the service or not; these critics held that it was unjust to burden employees in good health with the costs of medical service to employees in poor health, especially in case the illnesses resulted from carelessness or dissipation.

These criticisms under circumstances such as existed in the Endicott Johnson Corporation case did not deserve so much weight as they might have merited had the company been located in a large community where adequate medical service was available at all times, and where the economies of a centralized medical service would be doubtful.

July, 1926

J. W. R.

AGNESE R. COWLES, *et al.*, APPELLANTS, *v.* MORRIS & COMPANY,
et al., APPELLEES¹

PACKER—MEAT

EMPLOYEE BENEFIT PLANS—*Pensions—Extent of Employer's Obligation to Pensioners.* In 1909, Morris & Company, a meat packing company, had inaugurated a pension fund for its employees. The company agreed to contribute \$25,000 annually until the fund equaled \$500,000, and the employees were to contribute 3% of their salaries. When the business and physical assets of Morris & Company were sold to Armour and Company in 1923, many of the employees withdrew their contributions to the fund, with interest thereon, as provided for by the pension rules. Their withdrawals depleted the fund to an amount sufficient to continue monthly payments to pensioners for only 14 months. Twenty of the pensioners brought suit against Morris & Company, Armour and Company, and others, on the ground that there was an obligation to provide for the full payment of the pensions during the life of the pensioners. On December 21, 1926, the Appellate Court, First District of the State of Illinois, held that the company had fulfilled its contract by contributing the amounts promised, and that there was no implied agreement on its part either to continue to operate its business in order to insure continued payments or to establish a fund sufficient to continue these payments.

(1926)

Mr. JUSTICE BARNES delivered the opinion of the court.

This is an appeal from a decree dismissing a bill for want of equity.

It is a class suit brought by pensioners under "The Morris & Company Pension Fund," devised and established by that company for the benefit of certain of its employees to be operated and administered under certain rules and regulations by which the employees becoming contributors to the fund agreed to be bound. The gist of the controversy is as to the nature and extent of the contractual relations thus established between the company and said employees.

Under the averments of the bill the defendants are naturally divided into four groups: (1) the Morris & Company group, consisting of that company by that name and the name it took after the sale of its business and physical assets in 1923, and two of its officers; (2) the Armour and Company group, consisting of the Illinois corporation of that name, two of its officers, two affiliated foreign corporations of the same name, and The North American Provision Company, to which said sale was made; (3) the members of the committee administering

¹ Appellate Court, First District of the State of Illinois, December 21, 1926.

the fund; and (4) certain defendants either dismissed out of the case or not served, whose interests are not before us.

The hearing was before the chancellor upon the issues raised by the answers of the several groups to the bill as amended, and replications to the answers. The bill is so voluminous, repetitious, and argumentative that it is impracticable and unnecessary to state more than its theories and the essential admitted and evidentiary facts on which they are predicated.

On January 1, 1909, Morris & Company, then engaged in meat packing and kindred industries, inaugurated and put into effect a pension fund, denominated "The Morris & Company Pension Fund," for the officers and certain employees of said company and affiliated companies. The plan was embodied in certain rules and regulations for raising, managing, and paying out the fund, drawn up at the instance of Edward Morris, the president of the company, and submitted to each of the company's employees then eligible to membership under the terms of the document. Such of them as wished to avail themselves of its provisions, signed the form of application prescribed therein, and agreeing to be bound thereby became contributors to and participants in the fund. By its terms the company was to contribute \$25,000 annually until the fund equaled \$500,000, and its agreement in this respect was carried out. It subsequently made donations to the fund, the entire contributions of said company, its subsidiaries, and Edward Morris, aggregating \$1,249,966. Said employees, except those receiving a salary of \$10 or less per week, were to contribute 3% of their salaries. At the time of the sale those members of the fund who had not been placed on pension had contributed \$916,352.27, and the pensioners, including those whose pension had terminated, \$131,968.79, and the fund had earned from investments nearly a half-million dollars. The rules prescribed to whom the fund was applicable, the ratio of their contributions thereto from their weekly or monthly pay, the conditions of eligibility to a pension allowance, and the rate thereof. They vested full and complete administration of the fund in a committee composed of two members named by the company and three members elected by the employees contributing to the fund. A majority of them were to govern and were given power to annul, alter, add to, or amend any of the rules. The rules did not contemplate any control or direction by the company or other contributors over the committee or the fund.

After the sale of the physical assets and business of Morris & Company to the Armour interests, many of its employees, including some who were entitled to a pension, drew out their contributions to the fund, with interest thereon, as provided for by the rules and accepted an offer of Armour and Company to enter its employ on condition that they contribute to a like fund for the employees of that company under requirements for back payments to put them on an equality with other members of the latter fund. Their withdrawals from the fund depleted it to about \$320,000, an amount sufficient to continue monthly disbursements to those on pension at the then rate for only about 14 months,

after which time the payments would have to be discontinued owing to the lack of funds. There were about 400 pensioners, 20 of whom filed this bill. By order of court the others were also made parties complainant.

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Upon the facts alleged are predicated the following theories: (1) that Morris & Company "breached its contract of employment and implied contracts" between it and the contributors to the fund and pensioners thereof; (2) that it owed them a duty and obligation "to continue to operate or so to operate its said business as to insure the continuation and operation of said pension fund and payment in full for the full time promised . . . or in lieu thereof the duty and obligation of otherwise providing for the payment in full and for the full time promised of said pensions, benefits, and annuities"; (3) that complainants have vested rights and interests in said fund as against mere members thereof and are entitled to have monies so paid out to the latter returned to the fund; (4) that Armour and Company and its allied corporations and officers, and also the pension committee "maliciously interfered in and intruded upon the rights of complainants, thereby inducing said Morris & Company to breach its contracts with them, and that the property of Morris & Company purchased by Armour and Company was subject to pensioners' claims;" (5) that the several defendants entered into a scheme and conspiracy whereby the business and physical assets of Morris & Company, so subject to pensioners' claims, should be taken over by the Armour interests free from any lien or charge of any claim or right of said pensioners, so the Morris & Company pension fund should cease to function; (6) that the pensioners are creditors, and as to them the sale was void under the Bulk Sales law. The bill seeks relief in line with these theories, discovery relating to the terms of the contract of sale, an accounting by the several defendants of the disposition of the pension fund and alleged dissipation thereof, an injunction to prevent stopping or delaying monthly payments to pensioners, and such other relief, and so forth.

Much of complainants' evidence was offered to sustain its theory and contention that the rules and regulations did not embody the sole contract between Morris & Company and its employees but that there were supplementary agreements amendatory thereto. They were permitted to introduce evidence of casual conversations or remarks, expressions in letters and speeches by agents and officers of Morris & Company that might induce confidence or belief of the employees that their pensions were assured for life and that Morris & Company with its "millions" stood back of said assurances. These statements were received in evidence upon the understanding that they would subsequently be connected with proof of their authorization. While many of the alleged statements were not denied by the persons to whom they were attributed, nevertheless complainants failed to prove their authorization. At best, as held by the chancellor, they constituted mere

expressions of opinion, and neither added to nor modified the company's contractual obligations as established by the rules and regulations. This is so obvious that we may summarily dismiss such statements from consideration or review as unauthorized and immaterial. Without such evidence there is no basis for the theory of supplemental agreements, and appellants do not undertake to argue that the chancellor's findings are against the weight of the evidence relating to these matters even if admissible.

The entire case, therefore, must rest on a proper construction of the rules and regulations as embodying the complete contract. We need not recite them at length. Only a few of the rules need to be alluded to. Looking to their various provisions we find no room for any of the theories upon which the bill is predicated. Under them, all that Morris & Company was obligated to do was to contribute to the fund \$25,000 annually until it reached \$500,000, and appoint its representatives on the committee. All this it did, and much more that was entirely gratuitous, whether prompted by self-interest or philanthropic motives, as is conceded. In fact, the alleged breach of contract is predicated, not on the omission to perform any express agreement, but mainly upon an implied agreement and duty of the company to continue to operate its business so as to insure and assure the continuation and operation of the pension fund, and to provide for the payment of pensions therefrom in full for the life of the pensioners, and that it had no lawful right to discontinue its business and stop the contributions to the fund without providing a fund, estimated at \$7,000,000, for the payment of such pensions.

Nothing in support of this extraordinary contention can be found in the express terms of the contract, nor in the nature of the contract itself. The principle relied on to sustain the alleged implication is stated in 2 Parsons on Contracts (7th Ed.) page 46, as follows: "The general ground of a legal implication is that the parties to the contract would have expressed that which the law implies, had they thought of it or had they not supposed it was not necessary to speak of it because the law provided for it." The principle is applicable where the contract violated contains an express agreement to do what cannot be performed if the party omits to do what is necessarily implied for performance. The principle is conceded. But the cases cited by appellants as illustrative of the principle related mostly to contracts involving an element of time within which a party agrees to do a certain thing, and where before the expiration of the time he deliberately or wrongfully incapacitates himself from performance. There is no analogy in such a situation to the contract at bar, Morris & Company did not incapacitate itself from performing anything it undertook to do. The last payment required to fulfill its obligation to contribute to the fund was made in 1914. All contributions thereafter were to be made by the employees, and the committee was left in exclusive charge of the fund and the duty of administering it free from any control of Morris & Company and of any further obligation on its part with respect to it.

The only language pointed out in the rules upon which the fund was established to sustain a different construction is found in Rule VII, which reads: "An officer or employee who has been 20 consecutive years in the service, on attaining the age of 55 years shall be entitled to a pension for life on retiring from the service." Appellants place special emphasis on the words "for life." But Rule XXXI was manifestly intended to negative any inference or implication of any other obligations of the company towards the maintenance of the fund or liability therefor than those it expressly stipulated to as aforesaid. That rule reads:

No pensioner, even after payment shall have been so approved and ordered, shall be entitled to have any part of the capital or income of the company set aside to provide for the same. All sums of money shall be paid out of the pension fund.

This rule clearly imports that those retiring on a pension must look solely to the fund as raised and provided for in the rules, and refutes the theory of a lien on the assets of the company in the hands of the purchaser or otherwise. To hold there was such an implication would be not only to import into the agreement a provision the parties deliberately omitted therefrom but one repugnant to other express provisions thereof.

These words "for life" in Rule VII must be regarded as assuming the continuance of the pension fund in the manner provided for by the rules, and not as obligating the company to continue it. In *Lead Company's Workmen's Fund Society, etc. v. Governor & Company, etc.*, 73 Chan. Div. II J. R. 628, 20 L. T. R. 504, a somewhat similar rule required construction. The society was formed to provide benefits for workmen out of its funds raised by fees and contributions from each member until he had attained the age of 65. The employing company ceased to carry on business, necessarily resulting in a cessation of such contributions and no employees to make them. The suit was brought to have the society dissolved and its fund distributed. One of the rules provided that a member of the society, upon attaining the age of 65 years, who had ceased to contribute to the society would become "indefeasibly entitled to a weekly allowance of 6 shillings for the remainder of his life." The court held in effect that these words did not mean that the beneficiaries were indefeasibly entitled to the weekly allowance whether the funds in the society were sufficient or not, but that the rule assumed that the society would have sufficient funds.

It is apparent that the continuance of the Morris & Company pension fund would depend upon the continuance of its business, and if appellants' contention is correct it involved either an obligation to continue it regardless of all other considerations, financial or otherwise, or on the sale of its property the establishment of a fund out of its assets sufficient—if it be solvent—to pay pensions, at the prescribed rate, to the 400 or more employees then on pension or entitled thereto for their entire lives. The amount estimated by appellants for that purpose is

\$7,000,000. That the agreement contemplated any such obligations, or restrictions upon the company's right to dispose of its property, is not within the bounds of reason. It is safe to say that no industrial concern could safely, or would knowingly enter into such an obligation; and if it could be implied from the nature or character of such agreement the risks entailed would serve to prevent industrial concerns from establishing or participating in, and thus defeat, such benevolent enterprises. There is neither law nor precedent for the contention. There is nothing in the contract which imposes any limitation upon the right of the company to discontinue its business. The exercise of that right necessarily involved a dismissal of its employees and stoppage of their contributions to the fund. Upon their dismissal they were entitled under the rules to a withdrawal of what they had contributed, with interest. Whatever effect this situation had on the balance of the fund it followed as an incident to the contract.

Much stress is laid by appellants on an amendment to the original Rule XXXVIII which provided that the acceptance of a pension would not debar a retired officer or employee from engaging in any other business which in the judgment of the committee was not prejudicial to the interest of the company. In 1917 under conditions growing out of the World War, the rule was changed to read: "No pensioner shall accept any employment without permission from the Pension Fund Committee, and Morris & Company shall at all times have first call on the services of a retired employee." The propriety of this rule, or whether it was within the spirit of the contract, or whether it operated to the disadvantage of any employee, or whether it was justified by the World War conditions is aside from its bearing upon the obligation of the company to provide for the continuance of the fund. While the evidence as to the operation of the rule discloses no particular hardships resulting therefrom, it is manifest that when the company ceased doing business the rule ceased to have any operation. In fact, on the sale of the business the committee declared the rule was no longer in force. Whether or not the rule may be said to have established new contractual relations not contemplated in the original rules or not within the power of amendment, yet there is nothing in the rule or the relationship thus established which effected any change of contract so far as obligation of the company to continue the fund is concerned.

While it has no direct bearing on the merits of the controversy, it may be mentioned in mitigation of alleged injustice from discontinuance of the business, that as a whole, the pensioners have lost nothing from the arrangements, but have drawn out something like 13 times as much money as they contributed to the fund. They contributed \$131,968.79 and have been paid out of the fund \$1,652,850.58. The original 20 complainants paid into the fund \$8,378.26 and drew out \$85,522.99. Perhaps others now on pension have not realized proportionate benefits; if so, it was a risk, incident to the contract.

Another argument advanced in support of the obligations to continue the business or the fund is that the pension constitutes a "deferred

wage." There might be room for such theory if there was consideration for a pension based on a reduced wage. But Morris & Company paid the standard wage for similar labor. While no doubt the expectation of a pension on the stated conditions furnished an inducement to enter the company's employ, contributions to the fund from the employee's wages were, under the rule, a condition of his employment after a period of six months. But the company did not obligate itself to continue it or the fund. In other words, his contribution rested entirely upon the express terms of the contract and not upon outside or implied considerations.

We deem it unnecessary to follow appellant's argument upon the features of different pension systems, public and private, and the distinctions made between rewards, bonuses, gratuities, deferred wage, and so forth. Lengthy quotations are made from dissertations of students of pension systems, and from reports or commission and other bodies dealing with them, which of course have not the sanction of legal decisions, but no pertinent legal authorities are cited that warrant interpretation of the contract as imposing an obligation to pay pensions as a "deferred wage."

We must, therefore, hold that the rules and regulations under which the fund was established and administered constitute a complete contract, free from ambiguity or implication of any omitted provision contemplated by the parties as essential to its fulfillment, and that Morris & Company performed its part of the contract and is in nowise guilty of a breach thereof.

This construction of the contract obviates the necessity of discussing other contentions more or less dependent upon the existence of such a breach. If the contract was not breached by the sale of the physical assets of Morris & Company, and the discontinuance of its business without a provision for future maintenance of the trust fund, then the purchaser took the property without any lien or obligation growing out of the contract. Authorities are unnecessary for the proposition that a party is free to dispose of his property or acquire that of others on such terms or conditions as he sees fit, provided they do not conflict with any rule of law or good morals or public policy.² There is nothing in the proof to substantiate the claim of any wrongful or unwarranted methods on the part of Armour and Company or its officers or the actual purchaser to induce the sale. The arrangements proved whereby the employees of Morris & Company were in effect on employment by Armour and Company to turn their withdrawals from the Morris & Company pension fund into the Armour pension fund were within the legitimate scope of the right of contract.

Whatever motives actuated Morris & Company to sell its rights being in no way hampered or limited by an obligation to continue the pension fund, and its discharged employees being entitled on dismissal to withdraw their contributions thereto and consequently free to deal

² *Parker-Washington Co. v. Chicago*, 267 Ill., 136.

with the sum refunded to them as their own personal property and to contract with reference thereto and on such terms of other employment as they saw fit, it cannot be said, in the absence of any proof of fraud—and none is shown—that the arrangements made by Armour and Company with said employees constituted a conspiracy against or an intrusion upon any right complainants had to the fund. They had no right to the fund superior to that of the other contributors (29 Cyc. 38). The contract right to withdraw contributions under the conditions fixed by the rules and regulations was as sacred as the right to pension benefits under other conditions. The right to a pension was merely inchoate until the happening of the contingency on which it was allowed and paid,³ and even then subject to the contract right of each employee contributing to the fund to withdraw his contribution on resignation or dismissal.

We think it clear that under the rules and regulations those retiring on a pension could look only to the fund left after the exercise of the right of such withdrawals. The status of complainants, therefore, not being that of creditors of Morris & Company, their various theories of right to discovery by inquiry into the details and terms of the contract of sale, and of a lien on, or right to follow into the hands of the purchaser, the transferred property of said company, and of a violation of the Bulk Sales law, must each and all fall for want of a proper basis in law or equity.

The claim of vested rights has been frequently urged where allowances of mutual or benevolent societies for sick benefits have been lessened by subsequent authorized amendments to the society's by-laws by which the members were bound.⁴ The tenor of the decisions in these cases is that it is a question of construction of contract. In effect they hold that reservations for amendments of by-laws effecting such changes, being a matter of contract, beneficiaries under the fund provided for were bound thereby and could not urge impairment of a vested right, their rights being only such as the contract in each case created. Here the rights of the pensioners being subject to the contract right of each employee contributing to the fund to withdraw his contribution on resignation or dismissal, the exercise of that right would necessarily decrease the fund, and to that extent diminish the prospect of future benefits to pensioners. In the very nature of things the status of the fund was subject to fluctuating conditions resultant upon withdrawal, whether gradual by resignation or dismissal, or from a discontinuance of the business and consequent termination of further

³ *McNevin v. Solvay Process Co.*, 54 N. Y. S. 98, 167 N. Y. 530.

⁴ *Stohr v. Musical Fund Society*, 82 Calif. 557; *Smith v. Galloway*, (1898) 1 Q. B. 71; *Supreme Lodge K. of P. v. Knight*, 117 Ind. 489; *Julie Fugère v. The Mutual Society of St. Joseph*, 46 Vt. 363; *Poultney v. Bachman, Treasurer, of Odd Fellows*, 31 Hun. 49; *Pain v. Societe St. Jean Baptiste*, 172 Mass. 319; *Merchant v. Lee Conservancy Board*, L. R. 9 Exch. Eng. 60, 44, 30 L. R. N. S. 367; *Steen v. Modern Woodmen of America*, 218 Ill. App. 152; *Royal Arcanum v. McKnight*, 238 Ill. 349.

contribution to the fund. In view of these provisions of the contract and the contingencies it contemplated there is no room for the contention of a vested right of the pensioners in the fund so returned, or of liability of the committee in so refunding. The committee would have violated its trust had it refused to refund to the discharged employees in conformity with its express terms. That the pensioners had a vested right in the balance of the fund is not questioned.

The theory that the committee was an agent of the company is also untenable. While they may have been amenable to and have acted upon suggestions from the company or its officers in amending the rules or otherwise, their powers in all respects were independent of any control or direction by the company, and there is no evidence tending to show that they exceeded their powers or violated their trust, or were parties to any conspiracy to interfere with any rights complainants possessed.

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The decree dismissing the bill for want of equity is affirmed.

AFFIRMED.

GRIDLEY, P. J., and FITCH, J., concur.

COMMENTARY: This plan was of the "contributory" or "contract" type, a term used to designate pension plans which require the employees to pay part of the pension reserve. The noncontributory pension plan, practically without exception, contains a clause which states that the plan confers no right upon the employees and that it may be withdrawn or modified at the will of the employer. The decision of the court in the present case clearly shows that a company's obligation under the contributory or contract form of pension plan is limited to the liabilities expressed therein. This plan stated the maximum contributions for which Morris & Company was to be liable, established a pension fund which was administered by trustees not agents of the company, and specified that pensioners must look to the fund and not to the assets of Morris & Company for the payment of their claims. The wisdom of these liability-limiting clauses from the standpoint of Morris & Company is clear from the record.

From the viewpoint of labor relations the most important statement in the decision is that which disposes of the appellants' plea, on grounds of implied contract, for a continuance of their pensions for life. The court points out that the continuance of the pension fund depended upon the continuance of the Morris & Company business, that the pension agreement did not create any obligations not expressly stated therein, and that "no industrial concern could safely, or would knowingly enter into" the obligation alleged by the appellants to exist. In view of the necessity of upholding the clear terms of contracts, the court

could not have decided otherwise upon this issue. But for the business organizations contemplating the total effects of undertaking pension plans, the question must be faced: do not many employees of companies having pension plans assume that those companies have undertaken just the obligations which the appellants in this case contended had been assumed by Morris & Company?

Not only does the decision lead to a questioning of the financial soundness of pension plans supported by industrial companies, but it prompts a reexamination of the reasons which may lead employers to establish such plans. A number of the reasons often suggested probably have little weight. A pension plan certainly would have relatively little effect on labor turnover, as that occurs chiefly among recently hired or young employees, to whom pension privileges have small consequence. As rewards for long and faithful service, pensions are not sufficiently discriminating between individuals. A pension plan is unlikely to give an employer a preferred position as a buyer of labor service unless that employer offers satisfactory terms in more fundamental matters—wages and working conditions. As a disciplinary tool a pension plan is expensive antistrike insurance, and probably ineffective in preventing the walkout of young and militant employees.

Several reasons remain, however, which justify an established company in considering carefully the pension problem. One reason is the positive effect of a sound pension policy upon labor goodwill as opposed to the damaging effect of a policy which results in superannuated employees' living in conditions of poverty. A second reason for a pension plan is that it eliminates most of the appeals of superannuated employees for relief. Those appeals embarrass both employees and company, and they damage the applicants' self-respect. A pension plan makes it easy to treat these appeals impartially. A third reason, in the case of a contributory plan, is that such a plan promotes thrift among employees. Finally, a pension plan removes in large measure worries concerning old age dependency, which otherwise would dampen the working spirit of many of the mature and responsible employees in an established organization. No argument is necessary for the position that old age pensions should be certain to those, who, by their employers' acts, have been led to expect them. Limitations specified in the text of a pension plan are unlikely to be given adequate weight by employees; those limitations will be unnoticed by many employees. The mere existence of a pension plan will lead the body of employees to believe that pensions are assured them without conditions. This is particularly probable if the company is well established and reputable. On this score most of the pension plans in American industry are unsatisfactory, for most of them are of the noncontributory type; they seem to promise something, but in reality they promise nothing.

But contributory and noncontributory pension plans depend for their fulfillment upon a consistent company policy regarding pensions, and upon the continued ability of the company to meet pension obligations, which necessarily involves the continued operation of the company. These contingencies are so serious that it may be questioned whether any industrial company itself should underwrite a pension plan for its employees. In so doing, it obligates itself, morally, at least, to meet a steadily mounting scale of payments for perhaps 40 years and a high level of payments annually thereafter so long as it continues to operate.⁵

The contributory type of pension plan, provided it is voluntary, has two advantages over the noncontributory type. The contributory plan benefits the provident employee, and grants benefits to those who indicate unmistakably that they value those benefits. The compulsory contributory features of the Morris & Company pension fund mark it as having been superimposed upon those who were intended to be its beneficiaries. This policy is understandable in view of the types of people who predominated in packing-house crews while this plan was effective. There is, moreover, the possibility, pointed out elsewhere,⁶ that those who would not subscribe if such arrangements were voluntary, would have to be given relief eventually, and thus unequal treatment in this respect would be given to employees. It is not believed, however, that such compulsory arrangements should be deemed permanently necessary.

The court's determination of the rights of pensioners as opposed to the rights of "contributors" to monies in this pension fund under the rules is also of interest. These stipulations introduced further risks of inadequacy of the pension reserve. As the fund was closed out after some 12 years of operation, the reserve had not reached nearly its normal long-time level and therefore the fund was exhausted (leaving the extra donations by the Morris interest out of account) by the claims of persons discharged at the time the Morris Company ceased to operate. No conclusion can be drawn, therefore, regarding the adequacy of the financial arrangements of this plan.

The method of putting this plan into effect cannot be endorsed. It was sponsored by the president of the company. Naturally every official desired his subordinates to support the idea, and actively solicited their applications. An employee would not casually refuse to subscribe under these circumstances. Participation was obligatory after six months' service. The typical packing-house employees of that period were foreign-born and negro people. Many were illiterate in their own language. Few would have attempted to read and still fewer

⁵ Pennsylvania Old Age Pension Commission, *The Problem of Old Age Pensions in Industry*, Harrisburg, 1926.

⁶ Caldwell Telephone Company, 1 H.B.R. 199; commentary, 2 H.B.R. 449.

could have understood this pension plan of 32 or more articles, some establishing rights which needed judicial reconciliation. That many of the employees did not understand their rights under the plan, that many of them subscribed to the plan because discharge appeared the alternative, will not be questioned by most persons familiar with the setting in which this case occurred.

As American firms grow in age their pension problems will become more serious. To avoid indeterminate pension obligations, many firms have avoided the problem or have established plans which gave no assurance to employees or protection when that protection was needed. These makeshifts should be overhauled. American industry owes to its employees the development of sound pension plans for their consideration and acceptance. A pension plan should not endeavor to bind the employee to the employer; such arrangements are not salutary to either party. As provision for the future is primarily a private matter, the individual should contribute a large part of his pension reserve. The firm can aid in bearing the cost of premium installment collections and the cost of pension disbursements. A number of years of preliminary work may be necessary before a group of employees are ready to take over the burden of providing pension reserves. Willingness to do so is evidence of a high degree of foresight and self-managing ability.

The employing firm is responsible also for informing its employees of the need for making such provisions. The individual employee, however, should determine whether he wishes to provide such protection for himself. The pension probabilities should be determined scientifically and the risks underwritten by insurance companies,⁷ so that the pension becomes as certain as such arrangements can be made. Thus the employee can diversify his resources. His provisions against old age dependency then are not contingent upon an employer's will or continued prosperity. The employer, in turn, is free from a difficult, paternalistic, and uncertain obligation.

April, 1927

J. W. R.

⁷ See Western Clock Company, page 510.

WESTERN CLOCK COMPANY

MANUFACTURER—CLOCKS AND WATCHES

EMPLOYEE BENEFIT PLANS—*Pensions—Plan Endorsed by Company for One Year at a Time.* In order to pension its employees and to induce them to save for old age, a watch and clock manufacturing company offered a contributory type of plan, under which the minimum contribution of each employee subscribing varied with his wages, and the company's contributions varied with each employee's income, length of service, and sex. To avoid undertaking large future commitments which might become impossible to fulfill, the company decided to endorse the pension plan for only one year at a time, at the end of each year announcing the scale of benefits effective under the plan for the following year.

EMPLOYEE BENEFIT PLANS—*Pensions—Annuity Contracts Underwritten by Insurance Company.* In 1923 a watch and clock manufacturing company inaugurated a pension and thrift plan under which its employees annually contributed amounts varying with wages received, and the company contributed amounts varying with each employee's income, length of service, and sex. At first the pension income contracts with its employees were issued by the company, but a year later, arrangements were made with an insurance company which thereafter issued the contracts in the form of annuity contracts.

(1918-1926)

In 1918, officials of the Western Clock Company discussed a proposal to adopt a pension and thrift plan.

The officials desired a pension plan that would assure to the employees receipt of whatever they had been led to expect, yet which would be sufficiently flexible to permit of modifications necessitated by legislation, business prosperity or depression, and change in attitude towards pensions by employees or management. The officials objected to the noncontributory type of plan, as they wished employees to take a definite part in any thrift arrangement that might be adopted. They wished to develop a plan that would serve also to induce employees to save for old age.

The company wished to avoid the clause quite commonly found in pension plans which denies the employees any enforceable rights to pension benefits. The company did not want to announce a schedule of pension benefits and state at the same time, as do many plans, that it could cancel the arrangement at a later

date. It was believed that a pension plan causes employees to build up hopes, that they attach little importance to a cancellation clause until that clause is enforced by a company, and that such an act incurs bitter ill will. The company preferred to endorse a plan only for one year at a time. Thus, the plan could be renewed from year to year and it would not be necessary at any time to violate any promise. The plan announced for any year would not be terminated before the end of that period. By thus making the plan flexible, the company hoped at the times of renewal in the future to make the terms of the pension plan even more liberal than they were at the outset. At the same time, endorsement for only a year safeguarded the company against undertaking a large future commitment which might become burdensome in case adverse conditions developed.

In 1918 the management of the Western Clock Company began a survey of existing pension plans. The management did not find any plan which met the standards of the company officials. The subject was taken up again in 1922, when a committee of 11 employees was appointed to work with the management to formulate a pension plan. This group also studied existing plans, but did not endorse any of those reviewed. The committee undertook to work out a new type of plan in line with the general principles approved by the officials. Several students of the pension problem were consulted, and considerable pioneer work was done by the committee. After this committee rendered its report, the committee was expanded to 61 members. This enlarged committee and the management examined the plan and approved it, and in December, 1923, the company offered it to those employees who wished to join. Employees who wished to make detailed inquiry concerning the plan were referred to the committeemen who had participated in its preparation and review.

For practically 40 years the company had been able to give its employees continuous work. There had been no shutdowns or layoffs other than vacations during that period. The organization had grown from 81 employees in 1890 to 875 in 1910 and 2,700 in 1925. The company's plant was located at La Salle-Peru, Illinois, a community containing approximately 25,000 people. Most of these people were native-born Americans, but many of them were of German extraction. The company's output was above 20,000 watches and clocks daily, yet this large output was con-

fined to 17 styles and models. Sixty per cent of the working force consisted of men, and 40% consisted of women. The approximate age of the average man worker was 25; of the average woman worker, 20. The labor turnover rate was approximately 18% a year.

After the pension plan was announced, individual schedules were prepared for all eligible employees. These schedules stated the company's contributions and the pension benefits ultimately realizable under the scheme. Employees then were invited to subscribe to the plan, and by April 1, 1924, 67% of the employees eligible to do so had subscribed.

Membership in the plan was restricted to employees who had completed at least two years' continuous service with the company. Membership was optional with eligible employees. Any eligible employee who chose to join authorized the company to deduct from his wages his payments as specified in the plan.

At the time of announcing the plan in December, 1923, the company stated the schedule of benefits that it would pay to employees who were members of the plan during 1924. The company also stated that each year it would announce the schedule of benefits for the following year. Because of this provision, the company was not likely to make a commitment regarding pensions which it could not fulfill. In any year, the company could enlarge, curtail, or discontinue its pension contribution. Employees could increase their regular weekly payments above the sum specified in the plan and thus increase their deferred incomes and pensions. The company, however, did not take such excess payments into account in calculating its pension contributions to employees. The schedule of employee contributions and employer contributions for 1926 is shown in Exhibit 1.

Each employee's minimum contribution under the plan varied with his wages, based on day rates or basic time rates. The company's contribution to an employee varied with the employee's income, length of service, and sex.

At the time the plan was adopted, pension income contracts with its employees were issued by the Western Clock Company. About a year later, arrangements were made with a large insurance company which thereafter issued the contracts in the form of annuity contracts.

The deferred incomes purchased in exchange for the em-

EXHIBIT I

EMPLOYEE AND COMPANY CONTRIBUTIONS FOR 1926 UNDER WESTERN
CLOCK COMPANY INCOME AND PENSION PLAN

INCOME GROUP	EMPLOYEE CONTRIBUTION (Per Year)	COMPANY CONTRIBUTION (1926)		
		YEARS OF SERVICE	AMOUNT	
			Men	Women
\$1,200 and less.....	\$25.00	3-5	\$ 5.00	\$ 5.00
		6-10	10.00	10.00
		11-25	30.00	40.00
		26-over	50.00	60.00
\$1,200-\$1,800.....	37.50	3-5	7.50	7.50
		6-10	15.00	15.00
		11-25	45.00	60.00
		26-over	75.00	90.00
\$1,800 and over.....	50.00	3-5	10.00	10.00
		6-10	20.00	20.00
		11-25	60.00	80.00
		26-over	100.00	120.00

employees' contributions were spoken of as "incomes"; the deferred incomes purchased by the company for the employees were referred to as "pensions." When an employee entered the plan, he received a certificate which contained an annuity table. From this table he could calculate in any year the amount of deferred income that he purchased with his savings. The company's contributions were evidenced by pension stamps which it purchased for cash from the insurance company. The stamps were issued each year to the employees and were affixed to their certificate books. Each stamp had substantially the legal significance of an annuity contract, and showed on its face the amount of income that would be paid by virtue of that stamp.

Employees' property rights in the deferred "incomes," that is, the annuities purchased by their own contributions, were absolute. A member of the plan could leave the company and still retain that right. The plan provided, however, that should the employee take the cash surrender value of his contract or assign it, the cash surrender value of the contribution made by the company would revert to the company, and the employee would gain no advantages therefrom.

The plan provided, furthermore, that if a member died, the premiums paid by him were to be refunded to a beneficiary whom

he might designate. In case of death shortly after maturity of an annuity contract, the beneficiary received the amount paid in by the member, minus that portion of the annuity bought by the member which he had received prior to his death.

A member who left the company had three settlement options. The company's contributions, of course, ceased at that time. In the first place, the employee could continue to purchase paid-up annuities from the insurance company; secondly, the employee could discontinue his weekly payments, accept a paid-up annuity policy, purchasable with his past contributions, and retain the pension stamps awarded him by the company; in the third place, the employee could take the cash surrender value of the contract, but in that event he surrendered the rights under the pension stamps that had been affixed to his "income" certificate.

The plan did not provide for any specific retirement age. Although in general annuities were figured to commence at age 65, at the employee's option they could be calculated to commence at any age between 55 and 65. Nor did the plan specify that an employee had to resign when his annuity contracts matured. The company thought that retirement was an individual problem and that in case it was mutually satisfactory to the employee and the company for the employee to remain at work after attaining age 65, he should be permitted to do so.

When the plan was announced, an adjustment was made with each employee who had been in the service of the Western Clock Company for two years or longer. The company's contribution at that time was calculated retroactively in the case of each employee, so as to afford the employee such a pension as he would have received if the plan had been in effect when he began work with the company. Employees who had had 25 years' service received outright the pension rights thus calculated. Employees who had had less than 25 years' service at the time were told that upon the completion of 25 years of service they, likewise, would receive pension rights calculated in the same way, provided they entered the pension plan and remained members thereof.

An indication of the pension that might accrue under the plan was furnished by a hypothetical case worked out by the company. Because of an increased scale of company contributions, the illustration was not applicable in 1926. A person who at 16 years of age entered the company's employ and who at 18 entered the

plan, paying 50 cents a week until age 22, and thereafter 75 cents a week until age 65, and to whose payments the company added contributions at the rates scheduled for 1924, would receive at age 65 an annual income until death of \$1,320; \$550 thereof would have been purchased with his contributions, and \$770 thereof would have been purchased with the company's contributions.¹

Late in 1924, the company offered to purchase annuities for members of the plan during 1925. The scale of its contributions was slightly increased. At this time, as previously stated, arrangements were made with an insurance company, which was to underwrite the annuity contracts. A year later, the company renewed the plan for 1926.

Toward the end of 1925, the company added to the plan a sickness benefit feature. It amounted to 50% of earnings for a specified number of weeks of disability. The number of weeks during which such benefits were payable varied with the length of the individual's continuous service with the company. This sickness benefit feature did not increase appreciably the percentage of eligible employees who were members of the pension plan. The increase in that percentage in the time between the announcement of the sickness benefit and the spring of 1926 was between 3% and 4%.

On July 31, 1926, 91% of the 1,735 persons eligible under the plan had subscribed to it. Of the number eligible, 1,038 were men and 697 were women. The percentage of men eligible to

¹ A large insurance company in 1925 announced a pension plan which provided for the purchase of paid-up annuities during the employee's active service. From a table in that company's plan the following abbreviated table was prepared.

AMOUNT OF MONTHLY ANNUITY COMMENCING AT AGE 65 FOR MALES AND 60 FOR FEMALES, WITH RETURN OF PREMIUM IN EVENT OF PRIOR DEATH, AND WITH ANNUITY PAYMENTS GUARANTEED FOR 10 YEARS, THAT CAN BE PURCHASED FOR \$100

AGE OF EMPLOYEE WHEN PURCHASING ANNUITY	MONTHLY ANNUITY	
	Male	Female
20	\$5.85	\$3.37
25	4.65	2.70
30	3.68	2.16
35	2.90	1.73
40	2.28	1.38
45	1.78	1.11
50	1.39	.89
55	1.09	.72
60	.87	.59
65	.71	.....

participate who had subscribed was 94%, and the percentage of women eligible who had subscribed was 88%. Company officials believed that the large percentage of subscribers to the plan resulted from its definiteness, its lack of risk, and the fact that the deferred income was the personal property of the employee, irrespective of his place of employment in the future.²

COMMENTARY: The pension plan of the Western Clock Company was the result of a painstaking attempt to eliminate the disadvantages and evils of the various types of pension schemes in common use in industry.

The first and most serious defect common to most plans that are financed by the employers themselves is the long-time nature of the obligations which have been assumed. The average age of employees in most industrial concerns is in the twenties. Old age for them is 40 years away. What industrial company can be sure enough of its continued existence as an independent company, or, even if it is still alive, of the continuation of present policies, to warrant the making of such a vital promise to take effect 40 years ahead?³ And the pensioners may live 30 or 40 years after their pensions start, so that the real burden of the promise does not start to reach its maturity for 40 years, and its maximum incidence may not be reached for 20 or 30 years after that.

Most companies try to plan for changing conditions by inserting phrases in their announcements reserving the right to drop the plan or change it. Such clauses may relieve them in courts of law, but there are other kinds of pressure which public opinion can bring to bear to enforce compliance with promises when law fails. The promise is implied. The fact that the employees must accept it in good faith, in order that it may have its desired effect on morale, explains the desire of a company to have its employees believe that it means to protect them in their old age. Furthermore, the pensioning of the few old employees who retire during the first year stands as proof that the promise is genuine. The few companies which actually have abandoned their pension plans, relying on their reservations in their announcements to protect them from prosecution under the law, have found their relations with their employees, and with such small sections of

² As of January 1, 1927, when production had increased to 25,000 watches and clocks daily, and the number of employees to 2,800, the company reported increases in the subscription percentages, as follows:

Percentage of eligible employees subscribing.....	93%
Number eligible	1,813
Women eligible	710
Men eligible	1,103
Percentage of eligible women subscribing.....	89%
Percentage of eligible men subscribing.....	96%

³ See, for example, Cowles, *et al.*, v. Morris & Company, *et al.*, page 498.

the public as have known the facts, so strained that the cases stand as warnings to others.

The Western Clock Company avoided the possible difficulty of enforced continuity by having a separate plan each year which was independent of its action in other years. The current year's pension annuities stood on their own feet and the promises of the year were so financed that there was every possible assurance that the obligations would be discharged. But they were separate and independent of the last year's or the next year's promises.

The third defect of the usual pension plan is the apparent impossibility of financing it in accordance with the best actuarial practice. History does not reveal a fund reserved by any industrial company for pensions or for any other purpose from which escape is legally possible, that has been kept intact through several successive régimes. A fund for pensions, if actuarially sound, becomes so large that it is difficult for managers in times of bad business to leave it intact. As a matter of fact, few pension plans are funded and placed on a sound financial basis. Many companies apparently have made pension promises with faith that profits in the future would meet all the pension obligations.

The Western Clock Company turned over the financing of its plan to an insurance company, which not only has experienced actuaries to watch the plan but also has highly successful financial experts to handle the investment of the fund. No private company can afford to retain such men for its small amount of this kind of business, but an insurance company not only can run the machinery of the pension arrangement but has all the facilities properly to arrange for the financing.

The large percentage of subscribers to the Western Clock Company's pension plan proves that the employees are an unusually intelligent group. It is rather rare that sound financing and the limitations imposed by considerations of soundness are appreciated by employees. They are not expert in analyzing plans, and still less so in perceiving legal implications. It is only when trouble results from wildcat thrift schemes with impossible rates of interest or from liberal pension plans that would cost at maturity more than the total profits of the company, that employees are brought fully to realize the need for financial soundness.

October, 1926

G. J.

BRYLANE COMPANY¹

PACKER—MEAT

EMPLOYEE BENEFIT PLANS—*Group Insurance.* Because employees and their representatives expressed a need for some form of protection against financial losses sustained as a result of illness, injury away from work, or death, a meat packing company, through the works councils, submitted a group health and accident life insurance plan, to be underwritten by a large insurance company. The plan would go into effect if 75% of the employees applied for protection under it. Under the plan employees could secure protection without taking physical examinations. The company offered to advance one-fourth of the life insurance premium and to pay any of that share not remitted as dividends by the insurance company, to sustain the expense of collecting premiums and making disbursements to beneficiaries, and to provide nursing service. The plan was accepted and put into operation.

(1926)

For several years prior to 1926, a large number of the employees of the Brylane Company, through their representatives on the works councils, had expressed a desire for some form of protection against the financial loss resulting from illness, non-industrial accidents, and death.

The Brylane Company was a large meat packing company which employed approximately 20,000 people in 12 plants. Most of the plants were located in the Mississippi Valley. The company had established a plan of employee representation in 1921. That plan created a works council at each plant and an inter-plant council which met upon call to consider questions of general significance to the company's organization. Practically all the works councils had discussed the need expressed by employees and their representatives for some form of protection against losses sustained by the employees or their families as a result of the employees' illness, injury away from work, or death. Employees injured while at work were paid benefits according to the workmen's compensation law.

The management knew that few of the employees had protected themselves against these hazards by obtaining insurance, and that only a small minority had reserve funds so that an illness or acci-

¹ Fictitious name.

dent would cause them no financial hardship. Discussion in the works councils brought out the fact that few of the employees carried life insurance, and that the death of an employee usually caused his family acute financial distress.

In response to these expressions on the part of employee representatives and other employees, the executives of the company and also the employee committeemen discussed and studied various methods of meeting illness, accident, and death hazards. After investigation, the general superintendent of the company submitted a group health and accident and life insurance plan to all the works councils with the request that the employee members thereof discuss it with their constituents and determine whether or not the constituents wished to subscribe to it. The announcement also stated that an interplant conference would be held at which the project would be taken up in detail and voted upon as a recommendation to the employees.

In endorsing this proposal the company stated that the method of insurance recommended was not an experiment but was financially sound; that the insurance company with which the Brylane Company would contract was an institution with large reserves and assured stability; that the cost of the protection was low; and that employees unable to pass a physical examination successfully could secure protection under the proposed plan. Approximately 15% of the work force was believed to be in that class. The company stated that it would advance one-fourth the amount of the life insurance premium and would bear the cost of any of that share not remitted as dividends by the insurance company. The Brylane Company also would sustain the clerical and administrative expense of collecting premiums and making disbursements to beneficiaries, and, in addition, would provide nursing service. The employees, under the plan, would contribute most of the insurance reserve. Acceptance of the plan was voluntary on the part of the employees; the plan would not go into effect unless accepted by three-fourths of the employees eligible under it.

Two weeks later the interplant conference convened. The preliminary plan was discussed in all its details. The principal changes made in the tentative plan were: (1) the service requirements for eligibility to participate in the plan were reduced from 1 year to 6 months; (2) a limited amount of life insurance, but

not health insurance, was made available to employees who entered the service of the Brylane Company after 55 years of age and who were not covered in the general plan of life and health insurance.

The group life and health arrangements approved by the inter-plant conference follow:

GROUP INSURANCE PLAN

Insurer

The company will engage in a contract with the insurance company, providing for group life insurance and group health and accident insurance. This contract will be for one year at a time and will be renewable at the end of each year.

Eligibility

Only plant employees will be eligible after they have been in the employ of the company for 6 months or more and provided they enter the employ of the company before they are 55 years of age. Employees in the company's pension fund are ineligible to participate in the plan.

This contract will become effective when 75% of those eligible have subscribed for the insurance.

Company Contribution

The law provides that the employer must advance 25% of the premium payments on group life insurance to the insurance company. The losses and claim experience under these policies may be such as to enable the insurance company to pay dividends which would be used to reimburse the company for money advanced. Should the dividend payable under this group insurance exceed the amount advanced by the company, the excess will be placed in a fund to be disbursed for the further benefit of the employees who participate in the insurance.

The company will handle without charge the cost of making payroll deductions, keeping records of the workers' contributions, remittances to the insurance company, payment of benefits, and such other clerical and administrative work as may be necessary to carry out this plan.

Benefits

1. For women workers

Life insurance \$750.

Health insurance and accident insurance on accidents away from work:

Beginning on the eighth day of the disability, benefits at the rate of \$7.50 a week, for a period of not more than 13 weeks;

In case of total and permanent disability incurred before age

60, the face of the policy, \$750, will be paid at the rate of \$50.69 a month, for 15 months, commencing after 6 months of disability.

Cost to women will be 25 cents a week.

2. For men workers

Life insurance \$1,000.

Health insurance and accident insurance on accidents away from work:

Beginning on the eighth day of the disability, benefits at the rate of \$10 a week, for a period of not more than 13 weeks;

In case of total and permanent disability incurred before age 60, the face of the policy, \$1,000, will be paid at the rate of \$51.04 a month, for 20 months, commencing 6 months after disability.

Cost to men will be 35 cents a week.

Benefits will be paid on disability caused by any or all sickness.

Benefits will also be paid on accidents occurring away from work.

Disability caused by accident while at work is covered by payments under the Workmen's Compensation Law.

Total and permanent disability or death from any cause will be covered by life insurance, and the benefits will be paid on all cases whether resulting from sickness or accident, whether at work or away from work.

Employees entering the service of the company after becoming 55 years of age may secure life insurance of \$500 without physical examination. The cost will be 15 cents a week. There will be no accident or health insurance available to these employees.

The insurance company will issue a life and a group health and accident certificate to each person insured under the plan.

Conversion

An employee insured under this plan who leaves the service of the company may arrange to continue the life insurance without physical examination, provided application is made within 31 days after he leaves the service. The rate will be that payable for regular commercial policies for his age at the time he leaves the service.

Breaks in Service Record

An employee absent for more than 60 consecutive days in any one year breaks his service record.

Where the period of absence from work due to layoff or illness or other unavoidable causes exceeds 60 days, the question of reinstatement of an employee for the insurance after he returns to work will be in the hands of the local works council for consideration and decision.

The insurance may be continued in force during temporary or voluntary layoff of not to exceed 60 days by paying the premium weekly in advance to the general timekeeper of the company.

Temporary Cessation of Premiums

The plan combines two forms of insurance. First, group life insurance, and second, group health and accident insurance. The payment of premiums by employees will cease under both of these group contracts when disabled and receiving benefits under the group health and accident contract. The group life insurance is kept in force during this time.

After disability is over and the employee has returned to work, the weekly assessment is again resumed, and the insurance is in full force again.

Nursing Service

With this insurance is furnished a complete visiting nurse service without additional cost. If an employee becomes ill or injured he or she may notify the company, and a nurse will be sent to the home. The nurse will assist those in the home in carrying out the doctor's instructions, advise with them regarding the proper care of the patient, and render other valuable service. As she is a visiting nurse, she does not stay in the home, but will return as often as she may be needed.

After the endorsement of the plan by the interplant conference, the works council at each plant convened and decided upon plans to acquaint employees eligible for insurance with the plan and to solicit their applications. This was done by the employee representatives, who canvassed their respective precincts and explained the plan to their constituents. The employee representatives stressed the benefits and low costs of the insurance and the necessity of 75% of those eligible making application for the insurance in order that it be effective. A period of 31 days was available in which eligible employees could apply, but thereafter such employees wishing to enter the plan were required to submit to a physical examination at their own expense. Employees not eligible to apply for the insurance, because of their short period of service with the company, were told that upon completing 6 months of service they had a period of 31 days in which to obtain protection without physical examination. After that period such employees, in order to have the protection, had to pass a physical examination. Employees desiring insurance could apply to the department timekeeper or the employee representative in their precinct, who were supplied with the blank forms used for that purpose.

Within three weeks after the plan first was announced, 86% of the eligible employees at all the plants had applied for pro-

tection under its provisions. The contract, therefore, became effective, and notices were posted that pay-roll deductions for group insurance premiums would be made from the pay checks issued on a specified date and that such deductions would be made each week thereafter. These deductions had been authorized by each employee upon his application for the insurance.

Within a week after the plan became effective, several deaths of Brylane Company employees were reported and a number of employees were on the illness and accident record. The company's employee magazine called attention to the cases of distress which were being alleviated by the plan.

Several employees, ill during the initial months of the plan and entitled to benefits under its provisions, were under the impression that benefits were paid for all time lost on account of illness. An announcement to the employees stressed that payments on account of illness did not accrue until after the employee had been absent from work one week on account of illness.

The company established an insurance office at each plant. Employees were directed to notify the insurance office of all cases of illness or accident so that no delay would occur in the payment of benefits under the plan. Employees also were directed to notify the insurance office if they desired nursing service or assistance in making out claims for benefits. Employees were directed to notify their timekeeper promptly of any change in address so that no time would be lost in serving them in case of illness. They also were advised that they could change the beneficiaries under life insurance policies upon filling out blanks obtainable from their timekeepers. Employees were assured that they did not require the aid of an attorney in collecting benefits under the plan.

Two weeks after the plan went into effect, the insurance office of one plant having 8,000 employees reported disbursements of \$1,750 to meet 2 death claims and of \$379.26 to meet 24 sickness and accident claims. Five of the 24 sickness and accident cases still were upon the records; the other 19 had been reported cured and the employees again at work.

In order that the plan might remain effective and continue to have the interest of the employees, the company furnished to the employee representatives each week a list containing the names of the employees who that week completed six months' service and therefore were eligible to apply for insurance under the group

plan. The employee representatives solicited the applications of these employees for insurance. The employees' magazine, from time to time, published reports of insurance disbursements and letters of appreciation from the recipients of benefits under the insurance arrangement.

COMMENTARY: This case centers attention upon the merits and limitations of group insurance and upon one company's method of obtaining and keeping employee support of group insurance.

In this organization many of the employees apparently had recognized the need for some form of protection against financial losses resulting from sickness, accident, and death. Employees took a large measure of initiative in putting this plan into effect. The plan met a definite need, it was liberal in its terms, and it was financially sound.

The relatively low costs of group insurance are due in large measure to the absence of physical examinations and to the low collection and administrative expenses incurred by the insurance company. The cost of group insurance must not, however, be contrasted with the cost of an ordinary life insurance policy, but, rather, with the costs of the term policy as of the average age of the employees in the group.

The fact that this protection was underwritten by a large insurance company gave to it the soundness of a scientifically determined plan and the stability afforded by the insurance company's dependable sources of income and its diversification of investments.

Under this plan, the employees who otherwise would not have been able to obtain insurance were protected. The plan was noteworthy in its provisions concerning the cessation of all premiums during disability.

Perhaps the chief shortcoming of group insurance is that it fails to cover the individual upon his leaving the employ of the firm providing it. The conversion privilege may be mentioned in this connection, but the fact is that at the time of leaving employment an individual wishes to conserve his resources and ordinarily he is obliged to use his funds for immediate needs rather than for investment in an insurance policy. The conversion privilege, therefore, is not of substantial importance in practice. A second limitation of group insurance is that the employer, on his option, can refuse to renew a group insurance contract in any year. This shortcoming, however, is more apparent than real. It is unlikely that an employer would discontinue group insurance if more than 75% of his employees wished the insurance and made their desires known in a definite way. He could reduce his contribution to the legal minimum under those circumstances, as the employees probably would carry the balance of the cost willingly.

The case points out some misunderstanding on the part of the employees regarding the waiting period to be sustained by any disabled employee before sickness or nonindustrial accident benefits accrued. The waiting period is intended to check abuses and malingering. It causes the costs of slight illnesses, often the results of indiscretions, to be paid for by the individual.

The purposes and methods of the company in supporting this group insurance plan are significant. The plan was not paternalistic. The company's method was to render more widespread in its organization an appreciation of the benefits of group insurance. Only upon the indication that the desire for the protection was general was the plan seriously considered. Applications were solicited by fellow employees and not by the company. Employees were not likely to think that the company had some ulterior motive in supporting the insurance arrangement.

Perhaps the company's chief gain through the plan was relief from the necessity of extending private aid in cases of individual hardship. The company, moreover, was supporting a program that was to promote its employees' peace of mind and increase their foresight and self-respect. The plan probably was a slight deterrent to labor turnover, but it did not apply to the short service group, among which the turnover rate usually is high. It applied to those persons who presumably had identified themselves with the industry and the organization.

This firm apparently was able to afford its employees of over six months' service reasonably regular employment throughout the year. A contributory type of insurance plan such as this would be impracticable otherwise.

The general philosophy underlying this method of meeting employees' risks seems to be gaining support in this country. The economy of employee service work financed by the employer is being questioned. The outlay for these endeavors is definite, but the intangible benefits thereof are incapable of appraisal by the employer. While the employer may believe that he is obtaining full return on the investment, he is unable to judge the employees' satisfaction resulting from the service endeavors.

The Brylane Company informed its employees of the advantages of group insurance, but then allowed its employees to decide whether they wished to take advantage of the plan. After the employees decided in favor of the proposal, the company assisted them financially. The same method of procedure would apply to most forms of so-called employee service work. Exception might have to be made in a case in which employees have very limited intelligence and foresight.

Employee "welfare" programs carried on by employers often are

criticized by the employees. Those expressions really may not reflect demerits of the particular experiment but, instead, personal dissatisfaction with other circumstances of employment. Nevertheless, the expressions influence the opinions of other workers. Such programs also are subject to adverse comment from employees who believe that they would receive higher money wages if the programs were abandoned or the costs of the programs assessed directly upon the employees who desire them.

November, 1926,

J. W. R.

WILLIAMSON COMPANY^{1, 2}

MANUFACTURER—COARSE TEXTILES

EMPLOYEE HOUSING—*Rentals of Company-owned Tenements Increased.*

In 1919 a textile manufacturing company found that rentals charged for employees' tenements no longer reimbursed it for maintenance costs. As the employees tended to consider housing terms as a part of the employment relation, the company, in view of the current labor shortage, did not wish to arouse concerted opposition by a general increase in rents, which the employees probably would regard as equivalent to a decrease in wages. The company decided to negotiate increases in rentals with individual tenants as the current leases expired.

(1919)

After its formation in 1880, the Williamson Company, which owned and operated textile mills, provided between 600 and 700 tenements for its employees. Until 1916 the rentals charged had reimbursed the company for maintenance and depreciation, but not for interest on the investment. In 1919 the company found that its annual income from tenement rentals was not adequate to meet the expenses of maintenance and the fixed charges, exclusive of interest. The deficit was caused by the increased cost of material and labor. The company, in consequence, debated the advisability of increasing tenement rents and the method of putting any rental increases into effect.

The company had foreseen the necessity of action upon this question for some time. It had postponed the repair of tenement property in the years immediately preceding 1919. At that time, however, it was necessary to renew a large number of house roofs. Although done over a period of several years, that work was to entail a heavy maintenance charge. Other outside maintenance work, deferred during the World War, also could be put off no longer.

The Williamson Company was located in Colton, a small town 10 miles from an eastern city of 150,000 inhabitants. There was no other important industrial enterprise in Colton, and a large proportion of the town's available supply of labor was employed

¹ Fictitious name.

² See also Williamson Company, page 534.

by the Williamson Company. The region was both industrial and agricultural; within a radius of 25 miles there were several large towns and a rich farming country.

When the Williamson Company was established, Colton contained less than 50 houses. The mills then were small. The company was successful, and, as its plant was enlarged quite rapidly, the executives thought it necessary to provide houses for the people who came to work in the mills. In 1919 the company's houses made up three-fourths of the residence property in Colton.

The operatives at the outset were American-born people from the neighboring regions. Later, Scotch and Irish textile workers, who had learned their trades in the British Isles, were employed. These nationalities were followed by the type of French employee commonly found in eastern textile communities. In the early years of the twentieth century, Poles began to be employed in the mills. They proved to be excellent operatives and, on the whole, good townspeople. The company began to employ these national groups because their members were available at wages less than those demanded by the labor already employed. That labor tended to engage in more skilled work outside the mills. Most of the work in the mills was of the machine-tending type; it could be learned easily and quickly by the novice. The unskilled immigrant who had no capital and who had to obtain employment immediately after arrival in this country was able to render satisfactory service in the establishment. The company's labor force included slightly more women than men.

Some time after the Poles were established in the town, the company hired a few southern Europeans who had come into the town to work in its mills. These people originally came from the agrarian sections of their country. Their ancestors had been small farmers for generations. More and more of these people came into the town until, in 1919, they occupied practically all the houses on several streets. The houses on these streets were owned by the Williamson Company and formerly had been occupied by English-speaking operatives.

After this new colony had become thoroughly established, the proportions of employees of various nationalities working in the company's mills were approximately 30% Polish, 15% southern European, and 55% the various groups which had been native to the region or had come there prior to 1900.

The overseers and second hands in the mills were recruited almost entirely from the third group mentioned. These supervisory employees, with few exceptions, lived in company-owned tenements of six or eight rooms. A majority of the Polish residents lived in one section of the town, most of the southern Europeans lived in another section, and the third group was scattered. With a few exceptions, the mill executives lived in the most attractive section of the town.

Most of the southern Europeans and many of the Polish employees understood little or no English. Contacts with them were maintained through interpreters. The social status of the southern Europeans, who had most recently come into the town and who were the least familiar with American standards of living, was considered inferior by all the other residents. This condition, together with the unfamiliarity of these southern Europeans with American ways and the language barrier which isolated them socially, gave rise to a number of serious problems from the standpoint of the Williamson Company. The company's personnel manager had found it difficult to accelerate the assimilation of these late arrivals by the community. Although the company had built a large community house which was available to all residents of Colton, the southern Europeans made little or no use of it. The Polish people, however, had learned the value of the building and were using its swimming pool and other facilities.

Nearly one-half of the houses owned by the Williamson Company were of the one-tenement type; a majority of the remainder were of the two-tenement type. About 10% of the company's working force lived in the near-by city and traveled to and from work by electric trolley cars. Exclusive of this number, most of the employees lived in company-owned houses. The houses were grouped in the immediate vicinity of the mills, so that most of the employees could go home at noon. This housing development had been designed in view of the fact that the company employed many women who had family responsibilities and who wished to go home at noon. There had been comparatively little building financed by employees, due in part to the low rents charged by the company.

Prior to 1919 the rentals of employee houses had been low and inadequate to meet the costs involved. Six-room single houses with furnaces, modern plumbing, and electric lighting, located in

a desirable section of the town, were rented for between \$3 and \$4 a week. Other houses, not so fully equipped, in the same location, rented for less, and the rentals charged for houses in slightly less attractive sections were somewhat lower for the same type of housing accommodation.

Although the Williamson Company had attempted to keep its relationship as landlord separate from its relationship as employer, this endeavor had not been successful. Employees who were renting a tenement from the company thought of both relationships in judging their employment conditions. This association was brought about in part by the company's practice of deducting rentals from employees' pay envelopes. The Williamson Company did not wish to adopt any rental policy in respect of its employee tenements which would disturb the employment relationship.

The company was paying wages to its mechanical force equal to those current in the locality and was paying wages to its operatives comparable with those current in the textile industry. The executives thought that any upward revision in rentals had to be made at a time when a general advance in wage rates was in progress. They thought, however, that a gradual introduction of a new rental schedule would be accomplished with less difficulty than if a sweeping upward revision were imposed. The company, therefore, revised its entire rental schedule in 1919, but made the new charges effective only on houses or tenements which were rented after that time. In the same year, two increases in wages took place.

The executives thought that this plan gradually would increase the income from tenements so that maintenance costs would be met and, perhaps, a safe financial margin created which could be used to operate the properties.

COMMENTARY: Companies that locate in small towns and then grow rapidly may have to assume the burdens of employee housing. They attract the labor necessary for growth and the population thus brought in requires housing. Few individuals already residing in the community may have funds or be willing to invest funds in dwellings for lease to the newcomers. The company then has to construct and lease tenements as an essential step in the process of manning its plant. The Williamson Company appears to have embarked on employee housing for this reason.

The disadvantages connected with employee housing—low yield or loss on the investment, trouble in operating the tenement properties, and complications that company housing causes in the employment relation—may be offset by low cost of land for the plant, low tax rates, and the ability at the outset to draw upon a supply of conservatively minded labor in the surrounding territory.

Because one-fourth of the dwellings in Colton were not owned by the Williamson Company, the company was in a more advantageous position in the matter of negotiating rents than it would have been had it owned practically all the residence property in the town. The company's personnel manager was able to refer to the prices obtained by other local landlords and thus to demonstrate to those employees who understood English the relatively low level of the company's rentals.

The company's experience from 1917 to 1919, when its rental rates remained practically stationary while building and maintenance costs rose acutely, was a typical experience of landlords during that period. Purely with reference to maintenance charges, the employees of the Williamson Company probably were in no more advantageous position than were tenants generally. Reference to the movements of building-material prices and labor between 1917 and 1919 and to the movement of rents during the same period indicates that the first two increased approximately 40%, while the latter, except in communities engaged largely in the manufacture of war supplies and equipment, increased between 5% and 20%.³

The company's method of raising rentals recognized the disadvantage, at the time, of arousing concerted antagonism on the part of the employees. The year 1919 was one of labor shortage and one in which the economic position of employees was exceptionally strong. Because the employees would have regarded a general rental increase as equivalent to a decrease in wages, the imposition of such an increase might have led to a strike. Its policy of negotiating advanced rentals only in new leases afforded the company's personnel manager an opportunity to explain personally each increase that was made in tenement rentals to the employees affected thereby.

The case does not state the reason for the company's policy not to obtain interest on its investment in employee tenements. The policy probably was adopted years before to render living conditions in Colton attractive to workers in other textile centers.

Because the company was paying current rates of wages and its employees obtained housing at approximately one-half the carrying

³ Figures relating to movements of wholesale prices are obtainable in the *Monthly Labor Review*, United States Bureau of Labor Statistics, August, 1925; figures relating to movements in the cost of living are found in the same series, issue for November, 1922, pp. 94-103.

cost of the dwellings,⁴ the Williamson Company was not on a strictly competitive basis with other employers in the industry in the matter of outlay for labor. The seriousness to the Williamson Company of its rental policy depended in large measure upon the competition which it had to face.

It is desirable to pay money wages equivalent to those current in competing establishments rather than to fix wages with reference to low housing rentals. In case a wage scale is reduced below the market level because of low housing charges, the employees who receive the low wages tend to become dissatisfied with their income. That index of their worth does not compare favorably on the surface with the money wages received by other workers in the industry. The fixing of money wages with reference to low rentals for company tenements gives rise to dissatisfaction when only a portion of the work force is housed by the company. In that event the employees not dwelling in company houses have to pay market rates for house room, and therefore they suffer a disadvantage in commodity income as contrasted with other employees. That disadvantage is arbitrary and has no reference to inferior productive effort.

This company no doubt was embarrassed in 1919 because of the housing policy which it had established years before. The low rentals originally were a means for attracting labor, while wages were made equivalent to those elsewhere. In 1919 this differential advantage that was obtained by Williamson Company employees was recognized by the company, but the company was unable to raise the scale of rentals because that step might have brought on a strike. Even apart from the possibility of a strike, the upward readjustment of rentals by this company would have caused resentment and dissatisfaction.

After language barriers among the Williamson Company's employees are broken down and the intelligence of its work force, taken as a whole, is increased, the executives may be able to discuss problems of this character with representative employees.

The company by means of employee representation then might pave the way for gradually equalizing its house rentals with those current in the real-estate market, and be able, also, to discuss its wage rates and those in effect in other textile centers. Thus the company no longer would be a focal point for employee dissatisfaction in respect of those matters, which could be demonstrated as dependent upon the action of broad forces. That procedure should reduce discontent on the part of

⁴ Interest on the investment is approximately 50% to 60% of the carrying cost of a dwelling. Other important items are depreciation, taxes, maintenance, and insurance. Since rents did not include interest, the employee tenants who rented property at \$3 to \$4 a week were obtaining that property at approximately one-half its carrying cost.

employees regarding wages and rentals, provided the bases of comparison could be verified by or obtained in cooperation with an able and trustworthy employee committee.

April, 1926

J. W. R.

WILLIAMSON COMPANY¹

MANUFACTURER—COARSE TEXTILES

EMPLOYEE HOUSING—*Company's Plan to Sell Its Houses to Employees Withdrawn.* In 1917 a textile manufacturing company owning between 600 and 700 tenements near its plant began to sell those tenements on liberal credit terms to employee lessors at replacement value less depreciation. The company, through the plan, hoped to curtail a nonproductive investment, to reduce labor turnover, and to reduce the difficulty it had experienced in being the landlord as well as the employer of its workers. Because ownership of the tenements enabled it to employ adult women residing in the vicinity of its plant, because the house prices fixed in 1917 had become much less than costs of replacement, and because it wished to prevent resale of houses to undesirable residents, the company in 1919 discontinued its plan to sell tenements to employees.

(1919)

The Williamson Company, manufacturing coarse textiles, in 1917 had offered its employees an opportunity to purchase houses on liberal credit terms. The company owned more than 600 tenements. It had been renting those tenements to employees at rates which reimbursed it for maintenance and depreciation, but not for interest on the investment. In the two years that followed the announcement of the tenement-selling plan, a number of unfavorable features became evident in that plan, and in 1919 the advisability of its withdrawal was considered.

The tenement-selling plan was as follows: An employee who lived in a company-owned dwelling as a tenant had an opportunity to purchase the property. The Williamson Company attended to the financing of the transaction. A trust company furnished part of the purchase price on a first-mortgage note, and the company accepted a second-mortgage note for the balance minus whatever initial payment the employee made. An initial payment of \$100 was the minimum accepted by the company. The purchaser paid interest and installments on the principal of his notes periodically.

A restriction was put upon the resale of houses sold to employees. The understanding was that the Williamson Company would have the first option to buy back the property at the sale price. While this agreement probably had no legal significance,

¹ Fictitious name.

the company thought that it would deter some of the purchasers from reselling their properties to nonemployees.

The Williamson Company was located in Colton, a small town 10 miles from an eastern city of 150,000 inhabitants. There was no other important industrial enterprise in Colton, and a large proportion of the town's available supply of labor was employed by the Williamson Company. The region was both industrial and agricultural; within a radius of 25 miles were several large towns and a rich farming country. The company's labor force included men and women; the latter were a slight majority.

When the Williamson Company was established, Colton contained less than 50 houses. The mills then were small. The company was successful, and as its plant was enlarged quite rapidly, the executives thought it necessary to provide houses for the people who came to work in the mills. In 1919 the company's houses made up three-fourths of the residential property in Colton.

The operatives at the outset were American-born people from the neighboring regions. Later, Scotch and Irish textile workers, who had learned their trades in the British Isles, were employed. These nationalities were followed by the type of French employee commonly found in eastern textile communities. In the early years of the twentieth century, Poles began to be employed in the mills. Unskilled immigrants who had no personal capital and who had to obtain employment immediately after arrival in this country were able to render satisfactory service in the establishment.

Some time after the Poles were established in the town, the company hired a few southern Europeans. More and more of these people came into the town until, in 1919, they occupied practically all the houses on several streets. The houses on these streets were owned by the Williamson Company and formerly had been occupied by English-speaking operatives.

The supervisory employees, with few exceptions, lived in company-owned tenements of six or eight rooms. A majority of the Polish residents lived in one section of the town, most of the southern Europeans lived in another section, and the third group, made up of American-born operatives and those who had come to Colton prior to 1900, was scattered. With a few exceptions, the mill executives lived in the most attractive section of the town.

Most of the southern Europeans and many of the Polish em-

ployees understood little or no English. Contacts with them were maintained through interpreters. The social status of the southern Europeans, who had most recently come into the town and who were the least familiar with American standards of living, was considered inferior by all the other residents. The company's personnel manager had found it difficult to accelerate the assimilation of these late arrivals by the community.

Nearly one-half of the houses owned by the Williamson Company were of the one-tenement type; a majority of the remainder were of the two-tenement type. About 10% of the company's working force lived in the near-by city and traveled to and from work by electric cars. Exclusive of this number, most of the employees lived in company-owned houses.

Prior to 1919 the low rentals of employee houses had been inadequate to meet the costs involved. Six-room single houses with furnaces, modern plumbing, and electric lighting, located in a desirable section of the town, were rented for between \$3 and \$4 a week. Other houses, not so fully equipped, in the same location, rented for less, and the rentals charged for houses in slightly less attractive sections were somewhat lower for the same type of housing accommodation.²

Practically all the tenements owned by the Williamson Company were within easy walking distance of its plant. Many of the company's manufacturing operations could be put in the charge of women. Most of the women employed in the mills had household duties and wished to go home at noon. The company had erected single- and two-family dwellings upon practically all the building lots in the vicinity of its plant. The proximity of these dwellings to its plant aided the company in securing an adequate supply of labor, both men and women. Approximately three-fourths of the houses in Colton were owned by the Williamson Company.

Under the house-selling plan of the Williamson Company, between 50 and 75 employees purchased the houses in which they were living. During the period that the plan was effective, about two years, a number of new tendencies became apparent. Real-estate values in the town were rising in marked degree. The selling prices which the company had set upon its houses when the plan was instituted had become, in 1919, unduly low in view of

² See Williamson Company, page 527.

the general rise in real-estate prices. The Williamson Company noted that the prices listed for its houses were out of proportion to replacement values less depreciation. The upward movement in real-estate values at the time induced some of the persons who had bought houses under the plan to resell at a profit. In some other cases, the owners turned their dwellings into stores. That action frustrated the purpose of the Williamson Company to have its employees become home owners rather than lessors, and the action also reduced the attractiveness of several residential streets.

The company, in summing up considerations for and against the sale of tenements to employees, made the following statement:

(1) By continuing to dispose of its tenement property, the Williamson Company will be further relieved of a large investment in a non-productive activity. (2) Employees who own their own homes are more interested in staying in a community than those who rent their homes; hence home ownership among working people tends to reduce labor turnover. (3) Persons owning property tend to take a keener interest in its maintenance and development than they do in rented property; hence the physical aspects of Colton probably will be improved. (4) The Williamson Company will be rid of the irritating complication of its rental policy with its employment policy.

On the other hand, these considerations also are of great importance: (1) The tenements of the Williamson Company are located near to its mills, so that the majority of employees living in these tenements can go home at noon. This plan is particularly advantageous because the Williamson Company employs a considerable number of women, many of whom have family duties which can only be reconciled with employment on the basis of their being able to be at home a short time in the middle of the day and directly after the close of work in the evening. Practically all the land available for building purposes in the immediate vicinity of the Williamson Company has been absorbed by the company for its tenement projects. The Williamson Company does not have the exclusive command of labor available in the town. If, therefore, the company lost control of the tenement property and it ceased to be occupied by employees, further housing development would be difficult unless the company built dwellings at some distance from the plant. Should the Williamson Company lose control of houses in the vicinity of their mills, and if this property should pass into the hands of persons not employed by them, the company would be seriously embarrassed to find a source of labor as satisfactory as that upon which they are drawing. (2) The experience of the Williamson Company in selling tenements shows that in a rising real-estate market there is danger of employees reselling to nonemployees. (3) Although in many instances it has been found that persons who bought tenements tended to maintain them in better condition than those who rented,

there was also a counter-tendency on the part of some to build unsightly store fronts on residential streets. (4) If property sold by the Williamson Company fell into the hands of undesirable residents, the value of adjacent property owned by the company would depreciate. (5) In general, real-estate values have been increasing during the period of sale and the Williamson Company is faced with the alternative of either establishing an entirely new price level, which might complicate the whole sales policy, or selling at prices which are becoming ridiculously out of proportion to replacement values.

After considering these arguments, the Williamson Company decided to withdraw its offer to sell tenements to its employees.

COMMENTARY: The first and most important reason given by the Williamson Company for retaining ownership of houses adjacent to its plant was that thus it was assured of an adequate supply of women workers. Some employees already had undertaken to sell the dwellings they had purchased under this plan of sale. The adverse effect upon the company's supply of women workers, which would be brought about by the employees' having to reside at locations distant from the mills, is pointed out in the company's statement.

The company had an unquestioned interest in the real-estate development in the vicinity of its plant. The case mentions that several house owners had remodeled their properties into stores. Those changes doubtless had decreased the residence value of near-by properties which belonged to the company. By continuing to own the tenement properties, the company would have been able to prevent other cases of the sort.

The plan did not promise to relieve the company to any substantial degree of its nonproductive investment in employee tenements. The people it employed, in the main, had small financial resources. Few of its employees were financially able to undertake the burdens of house ownership. Had the company sold many properties upon the low purchase deposit, it, as second mortgagee, would have continued to be the contingent owners of those properties. That contingency would become actual in case of suspended mill operations and an exodus of people from the town.

No doubt the company's rental policy also limited the number of sales made under this plan. A Williamson Company employee who purchased a tenement from the company would have paid all the carrying charges of the property, which included interest on his liability on first- and second-mortgage notes. An employee who rented his house from the company, on the other hand, paid a rental which did not reimburse the company for interest on the investment. The employee

who purchased a house under this plan suffered a disadvantage which probably ranged from \$3 to \$4 a week.³

Besides the monetary disadvantage of home ownership under these circumstances, a Williamson Company employee who purchased real estate in Colton would have restricted his ability to accept employment elsewhere.

From the employee's viewpoint, the purchase of real estate in Colton was subject to exceptional risk. The marketability of real estate there really rested upon one determining influence, the prosperity of the Williamson Company. Should that company's growth be checked, a shrinkage in the town's population would take place and real-estate values would tend to decline sharply. The existence of racial barriers also interfered with a broad real-estate market in Colton. A Williamson Company employee who owned a house in the town might have found, upon offering it for sale, that some buyers were not interested in his property because they were of other nationalities than the one which was predominant in the vicinity of the dwelling. This condition probably would become less serious as the recent immigrants in Colton became Americanized, and as fewer immigrants came to Colton because of the immigration restriction laws.

Had the company wished to dispose of its properties in order to unburden itself of an unprofitable investment, it would have had to sell them at a serious loss, or it would have had to raise rentals so as to render the ownership of properties an attractive alternative to their occupancy upon a rental basis. The latter alternative was not possible at the time because of its probable effect upon the company's employment relations. Many of the workers would have regarded an increase in rents as equivalent to a decrease in wages. At the time, 1919, labor was scarce, and an increase in rentals sufficiently large to render house purchase attractive probably would have brought on a labor difficulty. At least it would have caused some of the employee-tenants to look elsewhere for work.

On the other hand, if the company had reduced the prices of its houses for sale, it would have stimulated speculation. Employee purchasers then might have resold to nonemployees, and thus the company's supply of labor might have been curtailed.

March, 1926

J. W. R.

³ Interest on the investment is approximately 50% to 60% of the carrying cost of a dwelling. Other important items are depreciation, taxes, maintenance, and insurance. Since rents did not include interest, the employee tenants who rented property at \$3 to \$4 a week were obtaining that property at approximately one-half its carrying cost.

MANSFIELD COMPANY¹

MANUFACTURER—METAL PRODUCTS

EMPLOYEE RECREATION—*Success Jeopardized by Professionalism and Competing Amusements.* In the spring of 1920 a company joined a local industrial baseball league which had scheduled games for the playing season of that year. Before the season was half over, the company recognized that the team representing its plant did not have the enthusiastic support of its employees. It had to decide whether to attempt to increase interest in its team or to withdraw from the league and form intraplant teams.

(1920)

In the spring of 1920 the Mansfield Company joined a local industrial baseball league which had scheduled games for the playing season of that year. Before the season was half over, the company recognized that the team representing its plant did not have the enthusiastic support of its employees. The company had to decide whether to attempt to increase interest in its team or to withdraw from the league.

The Mansfield Company, which manufactured metal products, was located in the outskirts of an eastern city having 150,000 inhabitants. The city was the center of a large industrial district and also was a marketing center for the surrounding agricultural territory. Other cities and towns within a 15-mile radius had an additional population of 100,000. The chief industries in this district were the manufacture of machinery, hardware, textiles, and rubber. At the time this issue arose, the Mansfield Company employed 1,500 men. The company had an employees' service department, on the staff of which was a recreation director. The recreation director was in charge of social events, the plant publication, and employees' athletics. The company had rented at moderate cost an open lot near its plant and it had offered the use of this lot to the employees as an athletic field.

The industrial baseball league had been formed by several plants in the city during the spring of 1920. The managers of the teams had met and prepared a schedule which provided for games on Saturday afternoons and on Wednesday evenings after

¹ Fictitious name.

work. The industrial league was to play on public lots or on athletic fields of the companies which provided such facilities. There also was a professional baseball team in the city. The professional team, a member of one of the "minor leagues," occupied the best-equipped baseball grounds in the vicinity.

One of the rules made by the industrial league was that no player was to represent any factory in a game unless he had been employed therein for at least 60 days immediately preceding. Early in the season this rule had to be modified. At one scheduled game the captain of one of the contesting teams wished to substitute one player for another. The substitute had been employed but a few weeks by the company he represented. The captain of that team said that unless the substitute was allowed to play, the team would have to forfeit the game. Thereupon, the opposing team withdrew its opposition. At a meeting held the next week, the league decided to amend the rules relating to the qualifications of players. An additional provision was added, which stated that a player might represent a member of the league provided his playing was permitted by the managers in the league at least 3 days before his appearance in any game. This clause was an exception to the general rule requiring employment by the member firm for 60 days immediately preceding the player's appearance in an industrial league game.

Shortly after this difficulty was adjusted, the Mansfield Company learned that several of the teams were not being run on a strictly amateur basis. In one case the players were paid their regular hourly rate of compensation for time spent in baseball practice after working hours. Another firm was paying each of its players from \$3 to \$5 a game that they played.

The Mansfield Company had entered the league with the understanding that the league was a strictly amateur organization. The company's athletic director was opposed to paying the players on the Mansfield Company team. The company had entered the league because many of its employees wished the establishment to be represented in the contests. The company's executives had believed that engaging therein would improve the morale of the working force by bringing the employees together in support of a representative team in athletic contests. The executives had been of the opinion, furthermore, that the games would afford entertainment and become a topic of mutual interest

to the employees. There also was present the idea that the Mansfield Company should not stand back when other prominent employers of labor in the community were supporting an industrial baseball league. The executives thought that these advantages would be reduced greatly if the league became a semiprofessional organization.

The Mansfield Company had not paid members of its team for practicing or for playing baseball. The executives had thought that sportsmanship would be sufficient to call forth the spirit and effort necessary to make the Mansfield Company's team and the local industrial baseball league a success. The company was disappointed to find that its team did not practice regularly or frequently, that a number of good baseball players on its pay roll had not sought places on the team, and that frequently members of the team had failed to appear at the time and place of a scheduled ball game. These facts had so weakened the team that it had for some weeks the lowest standing in the league. The employees were losing interest in the team, and the man in charge of employee recreation believed that a change in policy was necessary to prevent the team from becoming an object of ridicule.

About this time one foreman, who was a baseball enthusiast, suggested that promising candidates for the team should be hired and given any available jobs about the plant for the balance of the baseball season. He suggested that at the close of the season these players could be laid off or discharged.

The service manager recommended that the company should withdraw from the industrial baseball league and that an intra-plant baseball league should be started instead. According to this proposal, the plant was to be divided into several sections for purposes of representation in the baseball contests, and baseball games were to be played during the noon hour.

COMMENTARY: In this case, external factors existed which were inimical to the success of the industrial baseball league. In the first place, the city had a professional ball team. The city was of such size that other forms of amusement, catering to varying tastes, were present. The residences of the employees probably were somewhat scattered; that condition would have been unfavorable to the turning out of many onlookers at the contests on Wednesday evenings and Saturday afternoons.

A question arises with regard to the motives of some of the other companies which supported the league at the time. Considerations of the effect upon morale and of the recreational benefits of the scheme probably were present, but in addition the companies might have wished to advertise their organizations in the local labor market. At the time of this case a labor shortage existed generally, and expedients of various kinds were used by business firms to make their organizations attractive to workmen.

It is doubtful whether the Mansfield Company could have continued its membership in the league with any profit to itself. On a strictly amateur basis its team would have been unsuccessful in view of the fact that other teams were semiprofessional in character. Had the company paid its players, the team would have had no favorable effect on morale, and employees not interested in baseball would have resented the company's subsidizing the team. Employees would have viewed the team as the company's creature, not theirs.

The service manager's recommendations that the company withdraw from the industrial league and that it encourage rival teams within the organization seem to have been well fitted to the circumstances in the case. Under that plan initiative in the matter was left to the employees; the problem of professionalism was removed.

April, 1926

J. W. R.

QUIMBY COMPANY¹

MANUFACTURER

EMPLOYEE TRANSPORTATION—*Company's Responsibility toward Paying Portion of Employees' Garage Costs.* An employees' committee, desiring to provide additional garage space for the workers, posted a provisional annual rental rate of \$9 to \$12 and obtained applications for storage accommodations. The committee then found its posted rate inadequate and asked the company to make up the difference between the posted rate and the \$21 rate necessary to cover maintenance and depreciation costs. The company had to act upon that request.

(1921)

In May, 1921, a group of workers pointed out to the shop committee of the Quimby Company the need for additional garage facilities for employees' automobiles.

At that time, approximately 1,900 employees were on the plant pay roll. The company was located in a town of 25,000 inhabitants, but probably one-third of its employees lived in near-by communities. These employees traveled to and from work by trolley, train, and automobile. An increasing number of employees were using automobiles to convey them to and from the plant.

The company had two garages on a vacant lot in the rear of the plant. One was a closed metal garage, used by the company officials. They were charged an annual rental of \$60 per automobile, which was sufficient to cover upkeep and depreciation. This metal garage had individual stalls and each stall was entered through double doors. The other garage had been erected originally as a wagon shed. In 1918, when no longer needed for that purpose, it had been turned over to the employees, and they had used it without charge. It accommodated 15 machines.

When the request for additional garage facilities was made to the shop committee, that committee, composed entirely of employees, planned to extend the open garage so that its capacity would be doubled. The committee did not wish to ask the company to pay for the extension, largely because of the existing business depression. The committee, however, thought the company would advance funds to build the garage, provided the em-

¹ Fictitious name.

ployees who used it would pay a rental charge sufficient to reimburse the company for maintenance costs and depreciation. The committee estimated that a rental of \$9 to \$12 a year for each stall would be adequate. The committee posted a notice asking for names of employees who would be willing to pay those rates for space in the proposed garage.

As a result of this notice, 37 names were submitted to the committee. The committee then planned an extension capable of holding 40 automobiles but, after making a detailed investigation, found that the original rental estimate was too low. The committee's revised figures indicated that a rental of \$21 a year would be necessary to cover maintenance and depreciation.

The members of the committee then were embarrassed because of the posted estimated rate of from \$9 to \$12. They decided to ask the management to defray half the operating expense of the garage addition. The committee pointed out that before the question of enlarging the facilities had been considered, no rental was charged employees for garage space. They also pointed out that the idea of putting the garage on a paying basis had come from the shop committee.

The plan of employee representation in the Quimby Company had been established in 1917. The powers of the shop committee were advisory only, but, as a matter of fact, all questions of policy concerning the employees had been referred by the management to the shop committee. No action contrary to the advice of that committee had been taken by the management. Whenever situations had arisen in which the opinions of the executives and those of the shop committeemen were not in accord, conferences were held and a working agreement was reached before the management took action.

At the time the proposal to erect a garage extension for the employees was made to the management, the plant was operating at 90% capacity. Wages had been cut 5% in January, 1921. The executives of the company were considering a further wage cut of from 10% to 15%. They did not expect to be forced to curtail production further. On the other hand, no expansion of business seemed to be likely in the near future. The works manager and his staff had to act upon the request of the shop committee regarding the assumption of a portion of the costs of the garage extension.

COMMENTARY: The works manager should have declined to assume part of the carrying charges of the proposed garage extension. Had the company paid part of the costs of automobile transportation of some employees in this way, it, equally well, could have been expected to pay part of the fare of other employees who used railroads or street cars in going to and from work.

The operating plan of the officers' garage was a precedent for a negative decision upon this request. The free use of the wagon shed by 15 workers who owned automobiles really was not a case in point. The shed had been erected years before for the use of the company, not for the use of the employees.

This experience of the works committee had educational value. The committee undertook to price a proposed service, and, although the problem was relatively simple, the committee learned a few of the difficulties associated with a business venture.

February, 1926

J. W. R.

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